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NEWS SUMMARY

GENERAL

7 die in Biggin Hill air crash

Seven crew members of a twin-engined Second World War bomber died yesterday when it crashed in a ball of flame at Biggin Hill's annual Battle of Britain airshow.

Thousands watched as the aircraft appeared to go out of control and dived nose first into a grassy bank—narrowly missing a street of houses.

Wreckage of the bomber, an American A26 Douglas Invader, was strewn over a wide area.

Berlin rail strike

Strike by West Berlin railwaymen employed by the East German state railway has halted all passenger and goods traffic between Paris and Moscow. Page 2

Callaghan attack

Dozen Labour right wingers launch a thinly disguised attack in today's Times on Mr. Callaghan's leadership of the party, blaming him for many of the party's problems. Page 3

Heseltine blunder

Confidential Environment Department documents show that Mr. Michael Heseltine is to penalise some councils for overspending even though they are within Government targets. Back Page

Turkish cabinet

Turkey's new Prime Minister, Bulent Ulusu named a 26-member, mainly civilian cabinet shortly after military leaders greatly increased their martial law powers. Page 2

Priests hit out

West Germany's Catholic priests hit out at government bureaucracy and debts in a pre-election sermon containing many points in the opposition Christian Democrats programme. Page 2

Church broadcast

Roman Catholic Sunday mass was broadcast live over Poland's state radio for the first time since Communists took power 36 years ago. Page 2

Milk probe

Monopolies commission is likely to investigate Britain's milk distribution system after complaints that lack of competition have made UK milk prices the highest in Europe. Page 5

Welsh bomb plot

Scotland Yard confirmed it had uncovered a plot by militant Welsh nationalists to fire bomb several buildings in London.

Air row settled

Canada and Britain resolved the two year dispute over new air services which had threatened to suspend flights between the two countries. Page 3

Kabul promise

Soviet soldier who sought political asylum at the U.S. embassy in Kabul last week left after Soviet assurances that he would be free to quit the army.

New Ulster talks

Northern Ireland Secretary Humphrey Atkins today begins a new round of talks with three of Ulster's four major political plans for political reform. Page 3

Briefly . . .

Winning Premium Bonds were: £100,000—13PB 051621 and £50,000—9YF 085017.

Mike Read, 39, became King of the Channel after completing his 20th swim.

BUSINESS

Japan acts on van exports

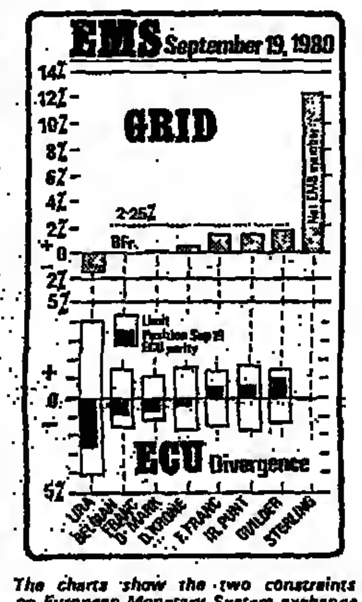
● MOTOR industry delegates who visited Japan have won what may be significant undertakings on the export of light commercial vehicles to Britain. Page 2

● ALFA ROMEO/NISSAN cars should be on the road by 1984, following the Italian premier's conditional approval of the controversial project between the state-owned company and the Japanese manufacturer.

● DUTCH GUILDER remained the strongest member of the European Monetary System, showing little reaction to the proposed Netherlands Budget for 1981.

The Irish punt and French franc finished the week as joint second firmest currencies, followed by the Danish krone. Denmark's currency weakened on Friday, but stayed around the middle of the system, followed by the D-Mark and Belgian franc.

The Italian lira was slightly firmer on Friday, but remained the weakest currency in the EMS.



The charts show the two constraints on European Monetary System exchange rates. The upper grid, based on the weakest currency in the system, defines the cross rates from which no currency (except the lira) may move more than 2¼ per cent. The lower chart gives each currency's divergence from its "central rate" against the European Currency Unit (ECU), itself a basket of European currencies.

● MONEY SUPPLY may continue to be boosted substantially by further balance sheet adjustments by the banks after the end of the corset controls on their operations, two leading City commentators warn. Page 4

Accountancy reform urged

● REFORM of methods used to enforce company accounting standards is proposed in a report to be considered by the councils of UK accountancy bodies. Back Page

● DOCKERS' representatives called off their plans for a national strike over the threat of redundancy to 180 Liverpool dockers. Back Page

● EEC STEEL companies are to be consulted by the European Commission, which wants to cut output to prevent a damaging price war. Back Page

● BRITISH STEEL Corporation directors are today expected to study a response by a group of businessmen who want to buy Consett steelworks. BSC demanded assurances of the group's intentions by midnight last night. Back Page

● MALAYSIAN buyers who have built up stakes in Dunlop Holdings seem to be bringing them together before identifying themselves publicly. Page 14

● NEW ZEALAND has suspended its lng trade with Japan after a dispute over pricing.

CONTENTS

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CBI survey shows gloomy prospects for manufacturers

BY JOHN ELLIOTT, INDUSTRIAL EDITOR

THE BUSINESS prospects of Britain's already hard-hit manufacturing industry will become worse and worse, the Confederation of British Industry predicts this morning.

More than half the 2,000 companies covered in the confederation's monthly industrial treods survey expect lower output in the next four months.

Three-quarters say their order books are below normal.

These forecasts add statistical weight to warnings given to CBI leaders by individual company chairman during the past week.

Britain's company chiefs see a sharp increase in the number of factory closures and redundancies during the autumn unless the Government relaxes some aspects of its economic policies.

"There is an increasing tendency for firms to forecast a lower volume of output," the CBI says in a report on its survey. "The results imply that output will decline more rapidly over the next four months than earlier this year."

The prospect of companies cutting back faster on manufacturing activities is heightened by the way the recession is affecting their profitability by restricting their ability to raise prices.

In an attempt to win orders at home and abroad, many companies are cancelling planned price rises, and many are cutting prices.

This morning's survey shows that the balance of companies planning to raise rather than reduce prices has fallen to minus 13 per cent. This is the lowest figure recorded by the CBI since 1967.

About 260 of the 2,000 companies expect to cut prices in the next four months.

This is encouraging news for the Government's fight against inflation, but it indicates companies will face financial problems for many months and it will increase the pressure on the Government to provide help.

Sterling's strength owes as much to high UK interest rates as to North Sea oil and the pound may become more vulnerable, London Business School Economists say. Page 4

There were also warnings from City commentators on the Government's monetary policy. Page 4

However, Ministers show no signs of changing their stance significantly, although they have tried to reassure industrialists by cutting back on local authority spending.

This cut is meant to demonstrate the Government's intention to bring public spending under control, and its hopes to reduce public sector pay rises this winter to the single-figure targets being set by many private sector companies.

This will reassure some industrialists and may help a little to defuse some outspoken criticisms at both the Conservative Party and CBI annual conference during the coming weeks.

But a substantial cut in interest rates is needed to stem the growiog frustration in induaty, where companies are calling for a reduction of at least 4 per ceot. They hope such a sharp cut will dramatically lower the level of sterling.

The loss of patience with the Government io some sectors of industry during recent weeks is demonstrated by the London Chamber of Commerce and Industry's statement this morning that monetary policy is "close to shambles" and that public spending is "almost out of control."

It warns that the UK is "now entering the worst of the recession" when the "image of a ruthless Government applying a new broom" will be put to the test.

The only possibly hopeful sign for manufacturing activity in the CBI survey is that the proportion of companies assessing their stocks of finished goods as being above rather than below normal has dropped to 35 per cent compared with 38 per cent last month, 30 per cent in June and 18 per cent in March.

The speed with which the recession has hit industry is shown by the survey's findings on the levels of companies' order books. A year ago about 40 per cent said these levels were below normal. By March this year the figure had crept up to 50 per cent. It moved

Continued on Back Page

Higher taxes 'may be needed'

By Elinor Goodman, Lobby Staff

THE GOVERNMENT is prepared t oconsider raising taxes if public sector costs cannot be contaioed, Mr. John Nott, the Trade Secretary, said yesterday.

In an interview on ITV's Weekend World, seemingly aimed at demonstrating again the Government's determination not to be blown off course, Mr. Nott said the essential requirement was to meet the Government's medium-term financial plan. If this could not be done by curbing public spending, the Government would have to raise more revenue through higher taxes.

Many Conservatives would regard such a move as politically disastrous. But Mr. Nott made it clear that at this stage of its term, the Government would be guided by its broader financial targets rather than political considerations.

Even so, it is unlikely that economic Ministers could get such an increase through the Cabinet without opening up divisions between Ministers.

Mr. Nott also left open the Government's options on further cuts in social security benefits. In common with other Ministers he held out no hope of an immediate cut in interest rates.

His message was that the Government would not allow rising public sector wage costs to deflect it from its targets for public spending.

To achieve these objectives, Mr. Nott acknowledged that pay settlements in the public sector should be kept to single figures. But he insisted that the Government would not try to impose a freeze or a single norm.

Mr. Nott's re-affirmation of the Government's economic policies follows last week's full meeting of the Cabinet, the first since the recess began, and comes when some Ministers are growing concerned about the economic outlook.

The official version is still that the public sector borrowing will meet the agreed targets for the year without further drastic remedial action. But some Ministers believe the Government will be forced to find ways of raising extra money if it insists on meeting its borrowing targets.

The possibility was first publicly mooted by Mr. Enoch Powell, the former Conservative Treasury Minister. It alarmed some Tory backbenchers, who are already finding it difficult to persuade their constituents the Government is still on course, and would regard an increase in taxation as a reversal of Government policy.

Cash limits concern Heseltine. Back Page

Saudi Arabia undermines OPEC cuts

BY MARTIN DICKSON, ENERGY CORRESPONDENT

MOST MEMBERS of the Organisation of Petroleum Exporting Countries have agreed to cut their production by 10 per cent to reduce the current glut of crude oil on the world market.

However, last night it appeared unlikely that Saudi Arabia, OPEC's largest producer, would co-operate in the plan. Saudi participation is essential if the glut is to be eliminated completely although extension of the Iran-Iraq border fighting to the two countries' oilfields could also dramatically tighten the market.

The production agreement, reached at last week's OPEC conference in Vienna, was confirmed only at the weekend, by oil Ministers returning home.

Mr. Ali Akbar Moinfar, Iran's Oil Minister, told a Tehran Press conference that the cuts would come into effect on October 1.

Iraq, the United Arab Emirates, and Algeria have also confirmed they intend to cut output by 10 per cent. Iraq is currently producing 3.5m barrels per day, Iran and the UAE about 1.7m b/d each, and Algeria about 1m b/d.

However, Sheikh Ahmed Zaki Yamani, the Saudi Oil Minister, said after the OPEC meeting that Saudi Arabia would continue to produce 9.5m barrels a day in the last quarter of 1980 rather than cut production to the more usual Saudi ceiling of 8.5m b/d. There has been no indication that this position has changed.

The Saudi move is aimed at keeping up pressure on other OPEC states to agree on a long-term strategy which would include the indexation of oil prices and greater OPEC aid to the Third World.

The Vienna meeting failed to obtain agreement but further attempts will be made before OPEC's November summit in Baghdad.

With world oil stocks estimated at 100 days and supply running 2m b/d to 3m b/d above demand, the effectiveness of OPEC's production cuts depends on Saudi Arabia, which accounts for one-third of the organisation's current output of 27m b/d.

A production cut by the 12 other OPEC states would reduce world supplies by about 1.75m b/d—insufficient to eliminate the glut—while a Saudi reduction would add about 1m b/d to this total and bring supply and demand broadly into balance.

Spreading Iran—Iraq conflict threatens oil

BY IHSAN HIJAZI IN BEIRUT AND ROGER MATTHEWS IN LONDON

FIGHTING between Iraq and Iran intensified yesterday, prompting fears among other Gulf States of a more general conflagration in the vital oil-producing region.

Iraq said it had fought a major naval battle in the strategically important Shatt-al-Arab waterway destroying five Iranian gunboats. The Iraqi naval force had been sent into the estuary, which separates the two countries, following the unilateral decision last week by President Saddam Hussein to abrogate the 1975 border agreement with Iran.

President Bani-Sadr of Iran, retaliated by calling up thousands of army reservists and warning that his country had no intention of bowing to Iraqi demands.

In Kuwait, the Government went into emergency session to discuss the situation and the official news agency in Qatar reported that the Iranians might try to close the Straits of Hormuz at the entrance to the gulf if the Iraqis interfered with their shipping.

From Bahrain and Abu Dhabi there were calls for restraint and both the Palestine Liberation Organisation and the Arab League have been trying to mediate in order to stop the fighting.

Mr. Chadli Klibi, the Arab League secretary-general, has been holding talks with President Saddam Hussein in Baghdad. Meanwhile, Mr. Tariq Aziz, the Iraqi Deputy Prime Minister, left Baghdad for talks in Moscow. The Iraqi news agency INA said the visit "is being made within the framework of

Continued on Back Page

U.S. wins support for ban on PLO at fund meeting

BY JUREK MARTIN, IN WASHINGTON

THE U.S. has won the important, but not conclusive, round in its struggle to prevent the Palestinian Liberation Organisation from being invited to attend next week's annual meeting here of the International Monetary Fund and the World Bank.

Although the result will not be made public until today, the U.S. is believed to have succeeded in raising the necessary quorum and support for its proposition that observers to the annual meeting be limited to those at last year's sessions in Belgrade. The PLO would therefore be excluded, pending a review of the whole observer issue.

However, certain Arab and other developing nations are threatening to get the PLO's status placed on the meeting's agenda. Mr. Amin Jamal, the Tanzanian Finance Minister and chairman of this year's IMF-World Bank meeting, is known to be sympathetic to the PLO's cause and may take the initiative himself.

The U.S. is fighting this move. But the difficulty it encountered in raising the required quorum of half the institutions' 140 nation membership demonstrates that the outcome is by no means assured. The U.S. was forced to ask for a 10-day extension of the voting period and, it is believed, only barely obtained a quorum after intensive lobbying.

Many developing nations, which, under the aegis of the group of 77 Third World countries, expressed solidarity with the PLO earlier this year, may find it hard to oppose its admission as an observer in the public glare of a floor vote at the meeting.

Editorial comment, Page 12
Samuel Brittan on President Carter's fiscal conservatism, Page 10
World Bank annual report, Page 2

The Carter Administration, for its part, is extremely conscious of the domestic political embarrassment that would be caused by handing the PLO a propaganda victory in the U.S. capital just five weeks before the presidential election, in which the Jewish American vote is of such importance.

Only last week, in provisionally approving increased U.S. contributions to the IMF in the shape of a higher American quota, the House of Representatives warned that granting any status to the PLO would result in a diminution of U.S. financial support for the international monetary and development bodies.

Staff at the IMF and the World Bank are appalled and concerned that the two institutions should have become footballs in international politics.

EEC loan plan goes ahead

BY OUR FOREIGN STAFF

EUROPEAN COMMUNITY Finance Ministers, meeting informally in Luxembourg, yesterday agreed to proceed with plans to set up a new loan facility to help EEC member states with balance of payments difficulties.

Under the scheme, funds would be borrowed from oil-rich countries. The weekend discussions indicated that the Community might be willing to consider extending loans to non-member states as well.

The Luxembourg meeting was called to co-ordinate members' viewpoints before the annual meeting of the International Monetary Fund at the end of the month. A major topic of discussion among the Ministers was the recyling of oil producers' newly-acquired surpluses.

The Ministers agreed last June that there was little that the Community could directly achieve on recycling and that the main burden of effort must fall on the IMF, the World Bank and other international agencies.

However, their discussions confirmed strong support for the idea of reviving the EEC's so-called "oil facility," which in 1975-6 passed on $1.3bn (£546m) from EEC loans raised in international money markets to Ireland and Italy, whose balance of payments had then been badly hit by the huge leap in oil prices.

The point of such a facility is that the Community as a whole can borrow from international markets and possibly even directly from oil producers at more favourable rates than some individual member states.

The idea is still at an early stage although yesterday's meeting will put strong pressure on the EEC's Monetary Committee, composed of the Nine's central bank governors and senior Treasury officials, to come up with detailed proposals for a formal meeting of Community Finance Ministers towards the end of next month.

It was clear yesterday that many details have still to be worked out. Sig. Filippo-Maria Pandolfi, Italy's Finance Minister, talked afterwards of the possibility of using the European Currency Unit (ECU) as a borrowing vehicle for the renewed facility. But several other member States are undecided about its practicability.

The terms upon which any loans might be advanced to member States would echo IMF lending conditions.

Urban transport protest

BY PAUL CHEESERIGHT

THE UK Government has lodged a strong protest in Washington about U.S. Congress moves which could keep British companies out of the fast-growing, lucrative market for equipment used in urban-transport systems.

The protest is about an amendment to a Bill authorising the provision of $24.8bn (£10.4bn) over the next five years to the Urban Mass Transport Administration.

This amendment, sponsored by Senator John Heinz (Republican, Pennsylvania) and accepted by the Senate, specifies that the funds may be used for the purchase of equipment only when it has a 70 per cent U.S. content and is assembled in the U.S. The present standard is 51 per cent. The House of Representatives is expected to vote on the amendment shortly.

UK companies which could be hit include GEC subsidiaries making power supplies equipment and components, Westinghouse Brake and Signal, the Hawker Siddeley subsidiary, all of which have a toehold in the market.

Other companies like Metro-Cammell, the Laird group subsidiary, which have aspirations to move into the market, could also be affected.

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OVERSEAS NEWS

Cossiga ratifies Alfa-Nissan agreement

BY RUPERT CORNWELL IN ROME

THE FIRST jointly-produced Alfa Romeo-Nissan cars should be on the road by 1984, following conditional approval by Sig. Francesco Cossiga, Italy's Prime Minister, of the controversial project between the two companies.

After almost nine months' delay, the agreement between the state-owned Alfa and the Japanese manufacturer was ratified at the week-end by Sig. Cossiga in person. During the nine months, the question had deeply divided economic Ministers, and at one point had threatened the fragile political equilibrium on which the present Italian Government rests.

Under the deal, a new company called ARNA (Alfa Romeo Nissan Autoveicoli) will be set up. Management will be in the hands of the Italian company, while its L25bn (£12.3m) capital will be split equally between the two partners. ARNA will spend L30bn (£14.7m) to build two new plants, involving 1,500 new jobs, near Naples, to assemble the new vehicles.

They will consist of bodies supplied by Nissan while the remaining 80 per cent by value of the small to medium cars, including engines and transmissions, will come from Alfa Romeo's Alfasud division. Of the scheduled production of 60,000 units a year, half will be sold in Italy and half abroad via the existing distribution network of Nissan and Alfa.

But two important conditions are tied to the deal; that it complies with whatever car industry policy is drawn up by the Common Market, and that it does not damage the Italian motor industry in general.

Opponents of the weekend deal have always argued that it was dangerous on precisely those two grounds. They point to the inroads of Japanese car exports into Europe. These feelings were summed up yesterday by Fiat, Italy's largest car group, and a long-standing critic of the Alfa/Nissan proposal.

The deal, said Fiat, was "a very serious matter." In return for "barely 1,000 jobs in the south" it would imperil thousands of other jobs in the rest of the Italian car industry.

Strike cuts Berlin's W. German rail links

By Leslie Colitt in Berlin

STRIKING West Berlin railwaymen employed by the Reichsbahn, East Germany's State railway, are allowing only allied military trains serving the American, British and French forces in West Berlin, to enter or leave the city.

All other freight and passenger rail traffic between West Germany and West Berlin, has been halted by some 600 strikers. They are among the 3,600 West Berlin employees of the Reichsbahn which operates train services in both parts of Berlin.

The strike has also halted all rail passenger and goods traffic between Paris and Moscow which normally pass through West Berlin. A rail link is being maintained between East and West Berlin to allow travellers to take trains from East Berlin bound for Scandinavia and southern Europe.

The strikers are demanding higher pay, better social benefits and freely elected representatives to the East German Government's labour union, of which they are members. The strike leaders say they were inspired to begin their five-day-old work stoppage by Polish workers in Gdansk. East Germany has accused them of using "terrorist actions" following what it called "outrageous developments in West Berlin."

The official East German news agency has not used the word strike in its reports of the disruption, and the Reichsbahn in East Berlin is refusing to negotiate with the strike leaders.

Trusted East German railwaymen have been sent into West Berlin as strike breakers, to maintain skeleton service on the rail line between West Berlin's Zoo station and Friedrichstrasse station in East Berlin. At one point, West Berlin strikers occupying a signal station were confronted with Reichsbahn railway guards who attempted to evict them by force. The West Berlin police intervened and drove away the railway guards.

Economic reforms vital, Poles told

BY CHRISTOPHER BOBINSKI IN WARSAW

AN IMPORTANT speech by Mr. Stefan Olszowski, a member of the Polish Communist Party's ruling Politbureau—published at the weekend—has opened a debate on the shape of future economic reforms.

At the same time, censorship restrictions on the Polish media have eased noticeably over the past few days, with a consequent growth of public criticism of past and present government policies.

In his speech, Mr. Olszowski, a serious contender in the struggle to replace Mr. Edward Gierek, underlined that the party leadership under Mr. Stanislaw Kania, the new First Secretary, was now "unified."

This echoed an earlier public declaration of loyalty in Lodz, when Mr. Olszowski said that he now wanted "to concentrate on the problem of economic reforms and devote all my time to this issue."

Moreover, the replacement on Friday of Mr. Mieczyslaw Grudzien, the First Secretary in Katowice, and Mr. Jerzy Zasada, the local party leader in Poznan—who were both hardliners—has further strengthened Mr. Kania's position.

In his speech, Mr. Olszowski told a party meeting that "it was obvious to everyone" that planning and management reforms were a vital necessity. "But it would be unwise" he continued, "to predetermine the shape of the future reforms.

"Nevertheless, in the broadest sense, a reform will bring a growth in the powers of individual enterprises and of the workers themselves."

At the same time, reforms had to ensure effective central planning.

Mr. Olszowski's speech came two days after a meeting of the central board of the Polish Economics Society, which was also devoted to the subject. There, the dominant theme was that no reforms could succeed unless workers were given the opportunity to participate in management decisions.

It was contended that an authentic system of economic costs must also be introduced, with planning methods and top-level decision-making mechanisms also being reformed.

According to Professor Jan Mujzel—one of the chief experts preparing for changes—the basic economic unit in the future must be individual enterprise. Management would be allotted centrally determined tasks but also must be given full freedom to carry them through as well as they saw fit.

One of the failings of recent years has been that central government has stifled management initiative with increasingly detailed directives.

Professor Mieczyslaw Mieszczankowski, head of the research institute at the Finance Ministry, has also published a detailed critique of past policies. Writing in the latest issue of the economic weekly Zycie Gospodarcze, he details the "seven sins of the 1970s."

These, he writes, were excessive—and at times misplaced—investments, excessive indebtedness, excessive growth in incomes, inappropriate agricultural and retail price policies, erroneous social polices, and the atrophy of central planning.

Reuter adds from Warsaw: Poland's State Radio broadcast Sunday Mass live yesterday for the first time since the Communists took power 36 years ago. Roman Catholics said the beginning of regular transmission was a victory for the Church.

The transmissions are among the concessions Polish workers wrested from the Government in their wave of strikes last month.

Carter will press SALT ratification if re-elected

By Jurek Martin, U.S. Editor, in Washington

IF RE-ELECTED, President Carter will again press the U.S. Senate for ratification of the strategic arms limitation agreement with the Soviet Union by next spring, his Secretary of Defence, Mr. Harold Brown, promised yesterday.

In a television interview, Mr. Brown said that though Senate action was clearly not possible in the two weeks before the Senate's election recess, the Administration would in the next two months consult with the congressional leadership on the timing of a new approach.

If the SALT II treaty, signed by Presidents Carter and Brezhnev in Vienna in May last year, were not ratified by next spring, Mr. Brown said, it would probably have to be renegotiated completely.

He argued that the SALT Treaty stood "on is merits" and should not now be seen in connection with the presence of Soviet troops in Afghanistan. It was in protest against the Soviet invasion and in acknowledgement of domestic political outrage, that President Carter asked that SALT be withdrawn from the Senate calendar at the start of this year.

Mr. Brown, without elaboration, implied that the Administration could accept some "understandings" that the Senate might attach to the treaty but not those which would necessitate reopening complete negotiations with the Soviet Union.

In his interview Mr. Brown was anxious to allay public fears about last Friday's explosion at a Titan missile silo in Arkansas. The accident, in which one airman died and 20 more were seriously injured, occurred when a mechanic dropped a wrench into the silo. It broke the skin of the missile, causing a fuel leak and the blast.

The Defence Secretary said that in spite of the force and seriousness of the explosion, the nuclear warhead had not broken up, nor had there been any leak of radioactive material.

Turkish army given sweeping powers

BY METIN MUNIR IN ANKARA

TURKEY'S new military leadership yesterday equipped the army with sweeping powers to combat political terror.

The moves came as Mr. Bulent Ulusu, Turkey's new Prime Minister, announced his cabinet, which will help the army run the country. Mr. Turgut Ozal, chief economic adviser to Mr. Suleyman Demirel's ousted Government, becomes Deputy Prime Minister.

Under the new powers—granted by the military leaders, generals in charge of martial law administrations prevailing throughout the country since the bloodless military takeover 10 days ago have been given what amounts to a free hand.

The motive is to eradicate extreme Left- and Right-wing terror organisations whose activities resulted in more than 5,200 deaths over the past two years and created conditions of near-anarchy in the country.

The new powers are contained in an amendment of the Martial Law Act decreed by Gen. Kenan Evren, the Chief of Staff who overthrew Mr. Demirel's Government.

Under the rules, martial law administrations will be able to appoint and dismiss civil servants, impose censorship, confiscate books, shut schools, expel students, and ban all demonstrations and association.

It will be possible to stop lockouts and strikes and prevent all union activity. People will face detention for virtually unlimited periods without appearing before a court. The jurisdiction of military tribunals has been expanded and punishment for some crimes made more severe.

Again under the new rules, it will not be possible to appeal against verdicts of up to three years' gaol, imposed by military tribunals. Security forces will be able to shoot to kill people who do not obey their orders.

The new powers were given by the leadership and not by the Prime Minister, appointed by it. This reinforces the theory here that Gen. Evren and his council will dictate policy.

The new Prime Minister, Mr. Ulusu, who until last month was commander-in-chief of the Navy, is a man of moderate, middle-of-the-road views.

Mr. Ozal is expected to become the most powerful Cabinet member after Mr. Ulusu, continuing to shape economic policy along free enterprise lines. He is widely respected in the Turkish business, community and Western capitals and his presence should be a reassurance to the International Monetary Fund and Turkey's creditors.

The Cabinet was selected by Gen. Evren and his colleagues and not directly by Mr. Ulusu. The new Prime Minister's most important function will be to act as a bridge between the army and the civilian bureaucracy.

Some of the better known names in the Cabinet are: Mr. Haluk Bayulken, Minister of Defence, and Mr. Ilter Turkmen, Foreign Ministers, both of whom are ambassadors. Mr. Sahap Kocatopcu, an industrialist, becomes Minister of Industry and Technology. Mr. Kaya Erdem, Finance Minister, and Mr. Kemal Canturk, Minister of Trade, have Civil Service backgrounds. Mr. Selhattin Cetinel, Minister of the Interior, is a retired General about whom little is known.

Trudeau waits for Parliament

By Jim Rusk in Ottawa

CANADA'S Prime Minister, Mr. Pierre Trudeau, is to wait until the House of Commons is recalled for an early session — probably at the beginning of next month — before announcing his government's constitutional plans after the breakdown of constitutional negotiations with the country's 10 provinces.

He is expected to announce that the Government will take steps to unilaterally bring the constitution under direct Canadian control.

In the past, Mr. Trudeau has angered the opposition by making major announcements outside the Commons. While considerate treatment of the opposition is unusual for the Prime Minister, all party support on the constitutional issue would strengthen his position

Japan may take over Iran's Eurodif stake

By David White in Paris

JAPAN is reported to be considering taking over Iran's 10 per cent stake in the French-based Eurodif uranium enrichment concern. Mr. Ichiro Nakagawa, Japan's Science and Technology Minister, is said to have mentioned the possibility during a visit to the Eurodif plant at Tricastin, southern France.

The question of Iran's stake was discussed at the weekend at a meeting of Sofidif, a Franco-Iranian joint venture which holds a quarter of the shares in Eurodif. A French court last year froze Iranian assets after the Tehran authorities abandoned the country's nuclear power programme.

A verdict on Iran's appeal against the decision has been postponed until October 22.

● The French Socialist Party decided at the weekend to defer the final choice of its candidate for next year's presidential election until January

Frequent Anglo-French top-level talks urged

BY ROBERT MAUTHNER IN PARIS

A FRESH IMPETUS to cooperation between Britain and France was given in Bordeaux at the weekend at a meeting of the Franco-British Council, an organisation created in 1972 to further understanding.

The council, which was addressed on Friday by Mrs. Margaret Thatcher, the Prime Minister, shortly after her meeting with President Giscard d'Estaing, and by M. Raymond Barre, the French Prime Minister, periodically brings together politicians, civil servants, businessmen, academics and journalists.

At the Bordeaux meeting, the British team included Mr. Douglas Hurd, Minister of State at the Foreign Office, Lord Soames, Lord President of the Council, Dr. David Owen, the former Labour Foreign Secretary, and senior officials.

The French Prime Minister did not hesitate to underline the continuing disagreements, particularly on agriculture, and repeated earlier suggestions that Britain might feel happier in a Community catering for several different types of membership.

It was the British delegates who were most enthusiastic about institutionalising Anglo-French relations on similar lines to those governing Franco-German relations. It was argued by some that if the two Heads of Government, accompanied by most of their Ministers, met every six months, instead of only once a year, they would nip in the bud many misunderstandings.

A joint group is to study the problem of industrial redeployment, and the Confederation of British Industry and its French sister organisation, the Patronat, will examine ways in which the flow of investment between France and Britain could be improved.

Constitution plan divides S. Africa ruling party

By Quentin Peel in Johannesburg

A PROPOSED new constitution for South Africa, providing one nationality for all races, and a loose confederal system with an umbrella consultative body, threatens to reopen deep divisions within the ruling National Party.

The plan would include a joint Parliament for whites, coloured people (of mixed race) and Indians, separate legislatures for independent and semi-independent black homelands, and a further body for urban blacks. It has been published by the two Nationalist newspapers closest to Mr. P. W. Botha, the Prime Minister and there is little doubt that he must have approved the proposals.

But Dr. Andries Treurnicht, leader of the National Party's right-wing, immediately rejected any idea of a shared parliament, or of a common nationality.

WORLD BANK ANNUAL REPORT

Lending to Third World increases by 6.7%

BY DAVID BUCHAN IN WASHINGTON

THE WORLD Bank and its soft loan arm, the International Development Association, have increased lending commitments to third world countries in the past year to record $11.48bn (£4.84bn), a real growth of 6.7 per cent after inflation, according to the bank's annual report published today.

Responding to the pressing needs of developing countries, the World Bank and IDA accelerated the actual pay-out on loans in the year ending June 30 even faster. Loan disbursements in 1979-80 totalled $5.77bn compared to $4.8bn by both institutions in the previous year.

The result was the net transfer of resources from the bank and IDA to developing countries —in other words loan disbursements minus repayments of principal and interest—rose to $2.63bn in the past year, up $475m or 22 per cent from 1978-79.

Casting a long shadow over the future, however, is the fact that the U.S. Congress has still not approved the planned $3.2bn American contribution to keep the IDA going over the next three years. IDA loans are on soft terms and repayable over 50 years, and are the chief source of development finance for the poorest developing countries.

The U.S. legislature has persistently dragged its feet on funding World Bank and IDA operations, and there is now a real fear it may baulk completely at the IDA contribution if the current dispute over Palestinian representation at this month's annual World Bank and International Monetary Fund meetings is not resolved to American satisfaction.

Presenting the annual report, Mr. Munir Benjenk, a World Bank vice president, noted that until the U.S. contribution is approved, the IDA's planned $12bn programme for 1980-83 is not legally complete. But he said that since July new IDA projects had been informally approved and that a number of World Bank member governments had offered to provide some $1.2bn in "bridging" finance to tide the IDA over until the issue of the U.S. contribution is resolved.

World Bank lending has become increasingly concentrated in two sectors—agriculture and energy. In the past year, 85 of the total of 247 projects supported by the bank and the IDA were in the area of agriculture and rural development, and they received about 30 per cent of all loans.

Loans for oil, gas and coal development in the third world in 1979-80 were still much smaller, but grew at a much faster pace. Mr. Robert McNamara, the World Bank president, has recently proposed that the bank should set up a separate energy affiliate to handle loans in this fast-growing sector, with as much as $25bn in loans over the next five years.

Discussions about such a new affiliate are still very much at the initial stage, while some countries have questioned the need for a separate institution unless it can be used to attract a sizeable contribution from the oil producing countries.

Also in its infancy is the World Bank's new programme this year for "structural adjustment" loans to countries that have serious balance of payments problems and need to make some long-term and politically difficult adjustments to harsher world trading conditions and higher oil prices.

This year the bank has granted three such loans to Kenya, Bolivia and Turkey on condition they make a series of economic policy changes. Despite its experience that this is highly tricky and politically sensitive area to enter, the bank forecasts that structural adjustments loans may total $600-800m next year, and well over $1bn the year after.

The biggest borrowers from the World bank in the past year were Brazil ($695m), Mexico ($600m), Indonesia ($580m), Korea ($544m) and Thailand ($542m). Borrowing most from the IDA last year were India ($1.5bn), Bangladesh ($267m) and Egypt ($215m).

China joined the World Bank this year and is expected to draw heavily on IDA resources. But work on specific Chinese loans will only start after a World Bank team visits the country this autumn to carry out an initial survey of its economy.

WORLD TRADE NEWS

SHIPPING REPORT

Carrier rates steady

By William Hall, Shipping Correspondent

AFTER THE recent sharp rise in the market for Very Large Crude Carriers (VLCCs), conditions have quietened down, although rates have held firm and the going rate for VLCCs on the Arabian Gulf/Europe run is about Worldscale 45.

The key factor in the VLCC market at present is the sizeable number of tankers earmarked for storage. H. P. Drewry, the shipping consultants, estimates that at the end of August, 46 tankers totalling 9.4m dwt were being used for storage.

On the basis of contracts already made, the number will soon rise to around 70 (15m dwt). As most of these vessels are moored close to oil consuming nations, there could be a shortage of vessels in the main loading areas and this could make the "spot" market "fairly sensitive."

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UK wins pledge on Japan vehicle exports

BY KENNETH GOODING, MOTOR INDUSTRY CORRESPONDENT

WHAT COULD be significant undertakings about Japanese exports of light commercial vehicles to Britain have been won by the UK motor industry delegation which recently visited Japan.

Since 1975, the Japanese have agreed not to export any heavy trucks (over 3.5 tonnes) in built-up form to the UK. But they have been shipping light commercial vehicles.

There has been some concern in the British industry about the way these shipments have been concentrated mainly in the heavier van market.

Now, the Japanese automobile manufacturing association has told the Society of Motor Manufacturers that in future the Japanese industry will act in a "prudent" way in its marketing in each individual sector of the light commercial vehicle market—car-derived vans, non-car-derived vans, and light 4 by 4 or four-wheel-drive vehicles.

As a result, the U.K. representatives feel that in future, while there might not be a drop in total units shipped, a wider variety of light commercials will be sold in the UK.

This will not please the importers, however. Restricted from increasing unit sales by the voluntary restrictions on car shipments from Japan, they have increased turnover by selling the commercial vehicles which carry the highest-possible added value.

Meanwhile, Ford, Fiat and the European Metalworkers Union will today give evidence to a European Parliament committee about the need to protect the European motor industry from the Japanese.

The Parliament's committee on external economic relations will consider one resolution from 25 Euro-MPs which calls on the European Commission to submit to Parliament "an urgent programme to safeguard the European car industry, including the necessary commercial, industrial and social measures."

A second resolution dismisses the idea of protectionism but suggests the motor industry should be rationalised and restructured so as to be better-placed to cope with competition from manufacturers based outside Europe.

Two companies which have strong views about the Japanese threat to Europe's motor industry will be represented at today's hearings, in Cambridge, by top-level managers. Sir Terence Beckett, Ford UK's former chairman, and Sig. Umberto Angelli, until recently head of Fiat's car division, are expected to take part.

So will the CCMC, the Committe of Common Market Automobile Constructors, which recently called for an investigation by the European Commission into increasing Japanese vehicle imports to the EEC.

The CCMC said it viewed with concern the "sharp increase" of Japanese penetration in European car markets which had to be seen in the context of the general trading imbalance between the EEC and Japan, European unemployment and depreciation of the yen over the past 18 months.

Today's preliminary hearings precede a full European Parliament debate in the autumn.

● The plea by Sir Michael Edwardes, BL's chairman, to the UK Government to stop car imports from Spain (mainly Ford Fiestas) unless the Spanish dismantle their import barriers is not likely to produce any concrete results.

The Department of Trade apparently feels that the matter must be dealt with on a European Community basis, but that the question of a removal of tariff barriers on cars is well down the list of priorities in the negotiations going on about Spain's entry to the EEC.

Tokyo allays U.S. concern over car shipments

BY DAVID BUCHAN IN WASHINGTON

THE CARTER Administration has taken encouragement from Japanese predictions that their car shipments to the U.S. will slacken in the remainder of 1980, and is discouraging Congress from pushing for quick import protection moves.

President Carter told a press conference last week he was "encouraged" by the forecast of Mr. Rokuske Tanaka, Japan's Minister of International Trade and Industry that Japanese car exports to the U.S. would drop in the fourth quarter. Their share of the U.S. market rose from 16.6 per cent in 1979 to 22.4 per cent in August of this year.

The Administration has also welcomed an easing of trade tensions between the two countries with two missions from Japan to the U.S. this month to study the question of including more American-made components in Japanese vehicles. At the same time, Nissan, which makes the Datsun models and is Japan's second biggest vehicle manufacturer, has announced it will choose by the end of next month a U.S. site for a truck factory.

It is considering three possible sites in Tennessee and Georgia for a $300m plant that would produce 10,000 trucks a month by 1983.

This activity by the Japanese car companies would appear to support President Carter's claim that they are now "sensitive" to this transition period through which America is now going in changing consumer demand for the smaller and more efficient automobiles.

Meanwhile, the Administration is urging Congress to await a ruling on Japanese car imports by the U.S. International Trade Commission before going ahead with a resolution that calls on the President to negotiate import curbs on Japan.

Mr. Robert Hormats, the deputy U.S. trade negotiator, told a House sub-committee preparing this resolution that the Administration opposed it. But he acknowledged that trade was a "recurring subject of friction" between the two countries, and would remain so until Japan also lifted its barriers to U.S. agricultural and manufactured goods. Despite Japan's participation in the 1979 GATT trade accords, the U.S. was still deeply disatisfied with the level of these barriers.

The U.S. deficit in trade with Japan is expected to reach $10bn (£4.16bn) this year.

The ITC ruling on the Japanese car complaint brought jointly by Ford Motor Company and the United Auto Workers' Union is not expected until November, despite Mr. Carter's request for an accelerated finding by the Commission.

If the ITC were to rule that Japanese imports had been a "substantial" cause of damage to the U.S. car industry, Mr. Carter would be in a position to impose some form of curbs on them. But the initial indications are that the ITC may not find against the Japanese.

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India-Soviet trade 'to double by 1985'

BY D. P. KUMAR IN NEW DELHI

A NEW trade agreement, the draft of which is being thrashed out in New Delhi and Moscow, envisages doubling the 1980 volume of trade between India and the Soviet Union in the next five years.

Indo-Soviet trade in 1979 touched a record level of Rs 1bn (£650m)—representing a 35 per cent increase over the 1978 figures. By the end of this year, the trade volume would be double what it was in 1975, marking the full implementation of the November, 1973 joint declaration of President Leonid Brezhnev and Mrs. Indira Gandhi, India's Prime Minister.

Lists of the items that will enter into trade for the new five-year agreement had already been agreed on, and "only some pending matters" such as interest rates and deferred payment terms remain to be sorted out in the final round of talks in New Delhi early next month.

A delegation led by Soviet Foreign Trade Minister, Mr. N. S. Patolichev, will arrive in New Delhi on October 3 to finalise the agreement—at the same time as Mr. N. Sanjiva Reddy, India's President, visits Moscow for a week-long Soviet trip.

The Soviet Union has traditionally supplied some quantities of crude oil and kerosene to India, but the new agreement for the first time will specify a quantity, though perhaps only marginally higher.

Earlier this year, the two countries signed a separate agreement for supply of 200,000 tonnes of crude and 500,000 tonnes of petroleum products in 1980, in exchange for 500,000 tonnes of rice from India.

The new agreement will provide for Soviet supplies of crude oil without their being tied to Indian rice shipments. No specific quantity is being fixed in the agreement for import of grains by the Soviet Union from India.

Indo-Soviet trade has grown 100 times in 20 years.

World Economic Indicators

FOREIGN EXCHANGE RESERVES (U.S.$m)

	July '80	June '80	May '80	July '79
UK	20,404	20,467	20,368	19,155
U.S.	5,404	5,582	5,721	4,843
France	25,333	23,829	23,788	14,520
Germany	45,686	44,176	42,778	43,146
Italy	22,072	19,105	20,919	17,4[illegible]
Netherlands	9,905	9,306	9,949	6,400
Belgium	7,211	6,147	5,057	4,389
Japan	18,859	18,624	17,315	21,840

Source: IMF.

Canada air talks succeed

By Robin Pauley

THE CANADIAN and British Governments have resolved a two-year argument over new air services. At varions times both sides threatened to suspend all services between the two countries unless they got their way.

An agreement reached in Ottawa means British Airways can start direct aervices from Britain to Western Canada across the Atlantic route. The airline is expected to start flying on this profitable route in the spring.

In return, Canadian airlines have won the right to fly into Britain, aet cargo and passengers down and pick up new loads to fly on to a range of destinations in Western Europe, Africa and Asia. Although Britain has now accepted this, Canada will still have to negotiate aeparate agreements with the otber countries involved.

The deal also allows a still undesignated British airline to start services to Western Canada from Hong Kong.

This could involve a fierce battle between British Airways and Britab Caledonian, both of which already operate services to Hong Kong, Laker Airwaya which intends to start services as soon as Hong Kong gives permission, and Cathay Pacific which, although Hong Kong-baaed, is regarded as a British Airline.

The Western Canadian destination for all the new services will be Vancouver. The agreement also gives Canadian Pacific Air the right to extend its passenger and cargo services through Hong Kong to South East Asia.

More than 1.2m passengers fly between Canada and Britain each year with British Airways and Air Canada holding a lucrative monopoly in scheduled services.

Only a week ago Mr. Christopher Roberts of the Department of Trade, who led the British delegation, said there were still "substantial differences" between the two sides and a withdrawal of flying rights were a possibility. Since then he and Mr. Harry Jay, Canada's chief negotiator, each conceded enough to enable an agreement to be signed at the weekend.

Atkins begins Ulster talks

BY RICHARD EVANS, LOBBY EDITOR

MR. HUMPHREY ATKINS, the Northern Ireland Secretary, today takes the next step in his search for a broadly acceptable formula for political reform in Ulster, beginning talks with Ulster's political leaders.

The Government still intends to introduce legislation in the coming session of Parliament.

It seems unlikely that the province's divided and warring political factions will agree to accept Mr. Atkins's preferred option of a developed assembly with executive powers, but there are modest bopes for enough progress to break the political stalemate since direct rule was imposed frnm Westminster in 1972.

A compromise being canvassed in Northern Ireland which could gain the backing of the Cabinet and nf a sufficient number of Ulster politicians would be to set up as a starting point an assemlby with virtually no executive power.

Deadlock

Tbe Secretary of State would initially retain his "viceroy" role but in hnpes that the assembly, elected by the single transferable vote system of proportional representation, would end the present politcial vacuum and slowly acquire more powers.

The first stage in breaking the deadlock will be a series of talks in the coming weeks between Mr. Atkins and leaders of the four main parties over the Government's Whita Paper options published in July. These begin today with a meeting in Belfast with the Rev. Ian Paisley, leader of the Democratic Unionist Party.

Mr. Paisley, as the Protestant leader with the most popular support, remains the key. He opposes power-sharing but Northern Ireland officials believe the prospect of political leadership of tha province could persuade him to accept a compromise involving safeguards for the Catholic minority.

No deadline will be put on the talks, so the Queen's Speech in November nutlining the Government's legislative plans is unlikely to be specific. It will refer in vague terms to the introduction of a Bill setting up some form of assembly.

The need for legislation in tha next session is acute. As well as Mr. Atkins's personal commitment, Mrs. Thatcher is known to be anxious to tackle soon the intractable prohlem of Ulster. Given the precedent of Scottish devolution, which effectively brought down the Callaghan administration, she has no wish to see the Irish prohlem dominate the last two years of the present Parliament.

The option of a referendum, which bas been discussed, appears to have lost favour despite the attractions of appealing over the heads of the province's divided political leadership. Apart from the difficulties of framing a suitable question, the effective assent of both communities would require a majority of over 80 per cent.

If that were not secured, the only alternative would be a continuation of direct rule and the political vacuum which Ministers are so determined to see filled.

If the political scene is as clouded as ever, security in the province has been steadily and impressively improved, although fear of provoking the IRA offsets any inclination to boast.

There is now a tenth as much violence as in 1972 and except in the border area the army has recently adopted a much lower profile, leaving the main security role to an increasingly confident Royal Ulster Constabulary.

Credit is given both to the tactics of the security forces, in driving a wedge between the terrorists and the communities in which they live, and to the increased co-operation between the police and army on both sides of the border.

Whatever happens in the discussions on a political settlement, Ministers are determined that security will remain the first priority.

But if security has improved, the economic background is bleaker than ever, with unemployment at 15 per cent running at twice the national average.

Even here, however, officials believe there could be a brighter side. Realisation is growing that the public purse is not limitless and that if the province is to succeed economically it must quickly tackle its political difficulties.

Stuart Dalby writes from Belfast: Mr. Paisley dismissed a newspaper report that he is being groomed by Whitehall as Prime Minister of an independent Northern Ireland as a "load of rubbish."

Majority

In his talks today with Mr. Atkins, he is prepared to say he sees some small possibility in the second plan put forward in July's White Paper on Northern Ireland.

This proposes an executive and assembly on a majority rule basis—that is, almost certainly Unionist rule—backed up by a council of the assembly. Chairmanships of the council would alternate between the majority Unionists and members of the minority Roman Catholic Party.

Mr. John Hume, the leader of the Social Democratic and Labour Party, the main Roman Catholic party involved in the discussions, would almost certainly reject the second plan if it did not give the minority a full veto. This in turn is unacceptable to Mr. Paisley.

Mr. Hume and his party are opposed to an assembly with virtualy no executive power, however.

Labour Right condemns Callaghan stance

BY ELINOR GOODMAN, LOBBY STAFF

LABOUR RIGHT Wingers today launch a scathing attack on the increasingly prevalent view in the party that Mr. James Callaghan, the party leader, is on the verge of scoring a significant victory over the Left at next week's annual Conference in Blackpool.

In a lengthy statement, published in the Times, a dozen Labour backbenchers, who like to think of themselves as members of the party's militant moderates, warn that at best Mr. Callaghan can only hope to achieve a hollow victory in Blackpool. This, claims the 12—who include the Manifesto group MPs, Michael Thomas, John Horam and Ian Wigglesworth—will amount to nothing in the long term, and leave the most fundamental issues facing the party not only unrasolved but largely undebated as well.

To win the next election, they say, the party must examine its whole ralationship with the uniona and the structure of the National Executive.

Their warning comes at the beginning of a week teading up to a Conference which could well witnesa the biggest ahowoowo between the two wings of the party for 20 years.

The statement amounts to a thinly disguised attack on Mr. Callaghan's strategy for dealing with the Left. In it, the MPa come close to blaming him for many of the party's problems.

Throughout the last 18 months of bitter in-fighting over the party conatitution, Mr. Callaghan has been arguing for the status quo, and against any change in either the way the leader is elected and the manifesto written, or in the way Labour MPs are re-selected.

According to the group of 12 MPa, it is preciaely those penple who "so ardently cling to the status quo" who are to blame for the parlous state of the party.

What is deperately needed now, they argue, is a radical approach both to policy and the way the party operates. And they make it clear that they will be looking to Mr. Callaghan's successor to provide that new approach.

Food spending up in first quarter, survey shows

BY OUR CONSUMER AFFAIRS CORRESPONDENT

rose 4 per cent in the first three months of this year compared with a year before, according to the national food survey published today by the Ministry of Agriculture.

The survey shows average food expenditure per person per week was £6.97 in the first three montbs, a rise of 26p on the last quarter of 1979.

Compared with January-March 1979, the rise totalled 16 per cent, hut that increase mainly reflects a 12 per cent rise in food prices. It also results from increased consumption of fresb foods. The road haulage dispute and the severe weather in the first three months of 1979 led to a sbarp fall in fresh food consumption, which by comparison recovered in the first quarter of this year when the weather was milder and there were no majnr distrihution problems.

The survey shows that milk consumption increased to an average of 4.33 pints per person per week in the first quarter of 1980, compared witb the relatively low level of 4.17 pints in the previous quarter. This recovery took place in spite of the price rise in February.

There was the usual seasonal rise in average egg consumptioo, while purcbases of sugar and preserves were marginally lower than a year earlier.

London bus services criticised

By Martin Dickson

THE mechanical unreliability of London Transport buses is criticised in a report today as a major factor in the capital's "inadequate" bus service.

The London Transport Passengers Committee says in its annual report for 1979 that old problems of staff shortage and traffic congestion also disrupted services.

The committee, an independent watchdog, said it had hoped for signs of improved bus services but continuing complaints made it clear that "performance was far below expectations."

Irregular or non-existent bus services complained about by many passengers bad been blamed on the mechanical unreliability of buses, mostly, though not exclusively, the Leyland Fleetline. There had also been problems with the Anglo-Swedisb Metropolitan bus, partly built by Metro-Camell Weyman.

Tbe report says the mechanical problems were not all of London Transport's making, but the committee felt London Transport bad often seemed "quick to blame their suppliers for their difficulties but mucb slower at formulating measures to overcome them."

'More scope' for energy saving

BY MAURICE SAMUELSON

MUCH OF industry is still not trying to cut its energy costs effectively despite ever rising fuel costs. And although more companies are appointing energy managers, they usually lack the necesary status or qualifications, says T. M. Services, the London-based management consultants.

The company, which bas advised a wide range of industries on how to improve their fuel efficiency, bas carried out a survey of its own work in the past two years.

It finds nearly 70 per cent of those appointed as energy managers had no extended, formal training for the job. Just 25 per cent underwent training in this field lasting more than a week or two — yet some of them worked for companies which spent more than £500,000 a year on fual.

Mr. Peter Blakey and Mr. Peter Taylor, the joint directors, blamed this on the low priority given to conservafion by lop management.

Similarly, while maoy companies have energy-saving personnel at group level, only a few have conservation managers in their individual factories.

"The energy manager is oftan simply a catalyst whose job is to jolly on the other staff to cut fuel costs."

T. M. Services, which arranges training programmes on energy savings, based its findings on inspection of nearly 200 industrial and commercial sites over the past two years.

Meanwhile, Liverpool City Council is studying an energy conservation programme said to be capable of saving more than 40 per cent of its present energy consumption in buildings after ten years.

The programme has been outlived by a team of experts which surveyed 2,500 municipally-owned buildings in a joint study sponsored by the Council and the Department of the Environment.

The team, under the direction of Mr. Sydney Bolland, an architect, found the easiest savings could be achieved in older properties, especially schools built hefore 1955.

A £2m investment in these properties, the team claims, could pay for itself in two winters, given good management. Thereafter, energy sav-

Short-time to end at Hotpoint

SHORT-TIME working is to end at the Hotpoint electrical appliance factory at Peterhorough. The 1,200 staff and production workers, wbo bave for the past two months been on a three and four day week because of a slump in sales, have been told to resume a 40 bour week from today.

New cigarette

BRITISH AMERICAN Tobacco is launching a new low tar cigarette, Kent King Size, in the UK on October 13

The new brand will he the first low star sector U.S.-type cigarette launched in the UK. The low tar appeal and American taste will be emphasised in the consumer advertising for the launch, and the cigarette will carry a special introductory price of 69p for 20.

Yarn production sharply down

BY RHYS DAVID

THE LEVEL of activity in the cotton and allied textile industry fell sharply in July. Allowing for holidays, the daily rate of single yarn production was 15 per cent lower tban in June and 30 per cent less than in July 1979.

Deliveries of yarn for all major domestic uses, as well as direct exports, were down on a year earlier. The decline in deliveries to knitters was comparatively modest. Few new orders were booked by spinners and order books shortened further on average.

In the weaving section, the daily rate of fabric productioo in July, measured in linear metres, was 10 per cent lower tban in June and 23 per cent lower tban in July 1979. (In terms of weight the rate of production was 29 per cent lower than a year earlier.)

The number of employees in the industry as a whole fell by 3,060 in July, and was 15,400 (23 per cent) fewer than in July 1979.

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Interest rates fall 'will weaken pound'

BY OUR ECONOMICS CORRESPONDENT

THE STRENGTH of sterling in the last two years owes as much to high UK interest rates as to North Sea oil and the pound may become more vulnerable this autumn, economists of the London Business School say.

The monthly Exchange Rate Outlook, published today by the Business School with the Gower Press, says the impact of high interest rates on the pound baa been mucb larger than generally assumed and when rates decline the pound will fall.

Any lessening in the influence of interest rates could mean sterling would be more affected by the deterioration in the UK's competitive position and its rapid relative rate of monetary growth.

Consequently, the trade weighted index, measuring the average value of aterling against a basket of other currencies, is projected to fall by 12 per cent over the next 12 months.

The outlook questions the recent view put forward by Mr. Peter Forsyth and Mr. John Kay of the Institute for Fiscal Studies that most of the rise in sterling is an inevitable response to North Sea oil.

There is agreement that sterling is 30 per cent overvalued in the sense that UK prices in dollar terms are 30 per cent higher than the prices of Britain's competitors in world markets. The Fiscal Studies authors reckon the oil premium is about 22 per cent, bnt the Business School economists believe oil accounts for 10 to 15 per cent of the rise and interest rates another 10 to 15 per cent, leaving 5 to 10 per cent of unexplained "froth" on the exchange rate.

Examining the infinence of interest rates, the outlook argues that "as long as it is believed that the (monetary) policy will be persisted with until it works, then any signs that it might take a bit longer to work—thus guaranteeing a few extra montha of high yields for sterling bolders—is an argument for buying poonds.

"The corollary is that the first signs of success for the policy will be a signal to sell pounds."

Welsh factories plan approved

BY ROBIN REEVES, WELSH CORRESPONDENT

THE Welsb Development Agency bas approved the construction of another 46 advance factories in the counties of mid Glamorgan and Clwyd.

The additional space amounts to nearly 300,000 sq ft or sufficient room for more than 1,000 jobs.

Earlier this month, the WDA announced plans to build 121 factories in Dyfed and Gwynedd. A further 1m sq ft of advance factory space is already under construction as part nf the special job creation efforts in areas hit by the steel industry rundown in both North and South Wales.

Stockbrokers warn money supply may be boosted

BY PETER RIDDELL, ECONOMICS CORRESPONDENT

FURTHER EMBARRASSMENT for the Government over its monetary policy comes from two leading City commentators this morning. They warn that the money supply may continue to be boosted substantially by further balance sheet adjustments by the banks after the corset controls on their operations end.

Stockbroker W. Greenwell estimates that if the banks increased their holdings of public sector debt, notably gilt-edged stocks, up to pre-corset levels, the adjustment could be equivalent to 5 per cent of sterling M3, the broadly defined money supply. Broker L. Messel and Company estimates that the addition could be between 3 and 5 per cent, although both firms stress uncertainty about both the time and scale of this once-and-for-all stock adjustment.

The potential problem has arisen because the corset controls restricted the growth of a large part of the banks' deposits and the banks responded by reducing their holdings of public sector assets. The end of the corset in mid-June has allowed the banks to increase these holdings which they will do by seeking deposits which will boost the money supply.

Such an addition to sterling M3, even if it is spread out, would exacerbate the existing problems of monetary control.

The brokers' warning comes at a time when there is a good deal of mutual recrimination between the Prime Minister, the Treasury and the Bank of England about what has gone wrong and who was responsible.

The Greenwell criticisms, in particular, are likely to carry weight since Mr. Gordon Pepper, the firm's main monetary commentator, is known to have the ear of the Prime Minister.

In its latest monetary bulletin W. Greenwell estimates that less than half of the very sharp rise in the money supply in the last four months is because of distortions dating from earlier periods, so the underlying rate of monetary growth in this period may have been above 20 per cent at an annual rate.

The firm says that if the excessive monetary growth in the last four months is not neutralised, or worse still, carries on, inflation will not continue to fall throughout next year.

Small companies 'vital for jobs'

BY JAMES McDONALD

THE GOVERNMENT may be expecting too much too soon from small businesses, so creating potential disillusionment, suggests a report published today by the London Enterprise Agency.

The agency was established in April last year by nine major companies and the report is a study on how large organisations are helping small concerns. It says that although small companies are the only real job creators in the economy at present they will not by themselves solve unemployment.

The report says small businesses have, nevertheless, a vital role to play in the efficient functioning of the economy and should not be judged only by their ability to create jobs over a short period.

While large organisations are shedding labour and Government is supposed to be doing the same, the weight of evidence suggests that small firms, and in particular new "start-ups," are the likeliest source of new jobs.

A feeling among large companies of responsibility for shedding jobs, as well as concern about the wider effects of unemployment, explains their growing efforts to assist the small companies' sector, says the report.

Large Firms and Small Firms: A review of current activities, by Vicky Sargent, London Enterprise Agency, London Chamber of Commerce and Industry, 69 Cannon Street, London EC4.

London's two evening papers in merger talks

By Robin Pauley

THE FUTURE of one of London's two evening newspapers, both losing money, has again been thrown into doubt by resumption of talks between their owners about a merger or other co-operation.

The Evening News, owned by Associated Newspapers and losing £7m a year, would close if talks with Express Newspapers, owners of the Standard, produced an agreement giving Associated a stake in the survivor.

Both companies refused to comment yesterday but did not deny talks were under way.

The history of merger and take-over rumours and talks between the two papers covers more than 15 years. In 1977 Associated tried to buy the Standard for £5m. Associated retreated and the Standard found security with the Trafalgar House take-over of the Beaverbrook group, which was renamed Express Newspapers.

Until recently the Standard was profitable, but it is losing money, with the Daily Express and Daily Star in the Express group whose Sunday Express remains profitable.

The advertising slump affected both evening papers. The Standard's income is down by £250,000 a week. Both papers dropped their Saturday editions and cut distribution to more far-flung parts. The News started a colour magazine to attract expensive advertising.

Property accounting standard to change

BY ANDREW TAYLOR

DETAILS of a proposed new accounting standard for companies holding property investments are to be announced today. Under the proposals, depreciation charges will no longer be permitted on investment properties, which will have to be revalued annually instead.

The new standard, contained in an exposure draft published by the Accounting Standards Committee (ASC), marks a victory for property companies which have argued that depreciation charges on investment properties are unfair and meaningless.

The exposure draft proposes that annual revaluations of investment properties should become mandatory for all company accounts with financial years beginning on or after January 1, 1980. The proposals are open to public comment until December 31 this year.

However, no recommendation is made as to whether annual revaluation should be carried out internally or by independent firms of chartered surveyors. This is bound to prompt criticism from some analysts who have argued in favour of regular external audits of property investment portfolios.

ASC said: "It has never been the general practice to depreciate investment properties. ASC is persuaded that depreciation is inappropriata and that a different treatment should be required for those assets, because they are not held for consumption in business operations bnt are beld as disposable investments.

"In such cases it is the current value and changes in the current value which are of prime importance to users."

The new standard will affect all properties held as a disposable investment, on which construction work has been completed and which are held for the purposes of letting at arm's length.

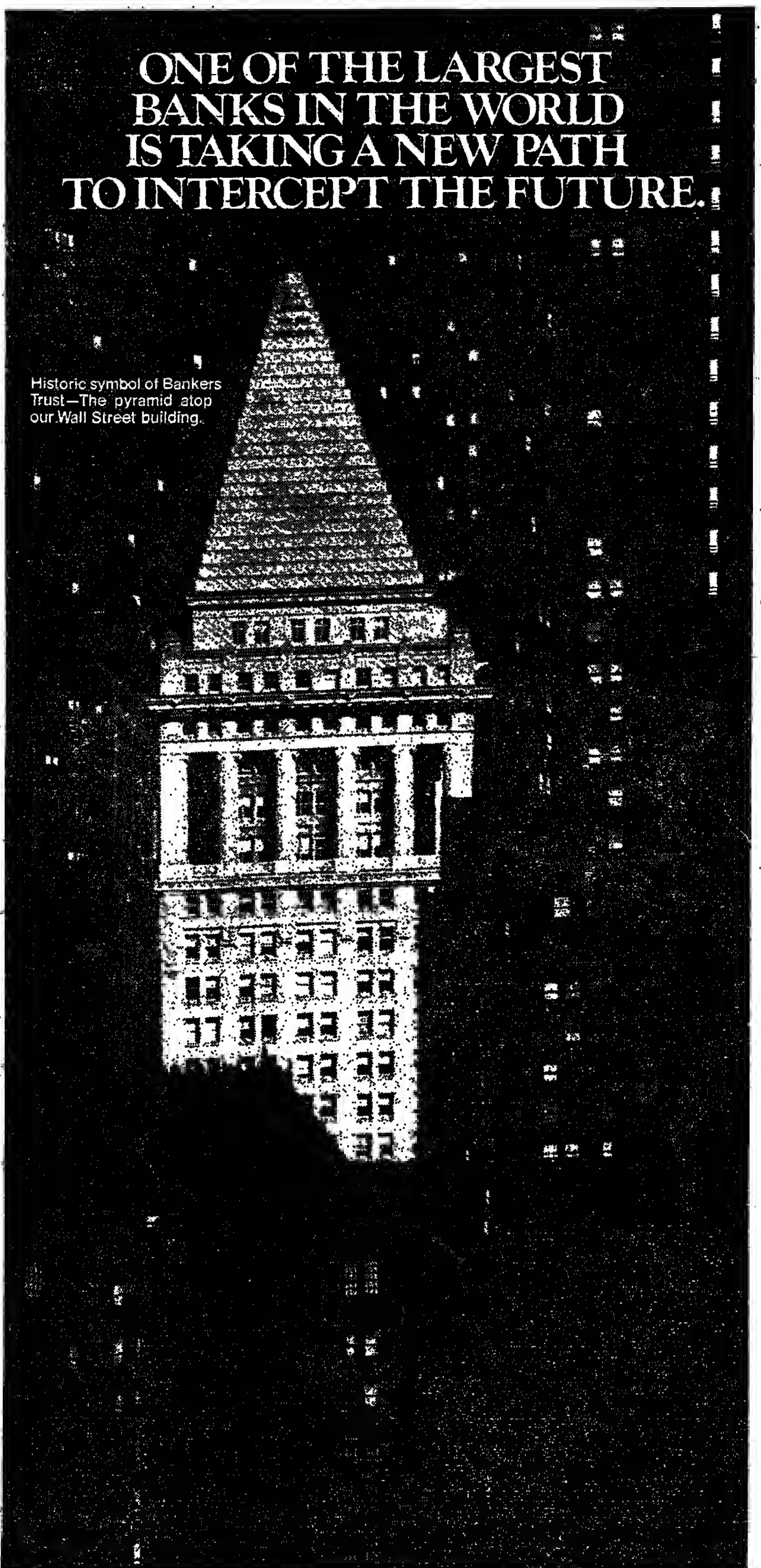
Leaseholds of 20 years or less are excluded from the proposals.

Under the terms of the exposure draft movements in the valuation of investment properties must be displayed prominently in annual accounts.

Revaluation

"Changes in the value of an investment property should not be taken to the profit and loss account but should be disclosed as a movement on an investment property revaluation reserve, unless the total of the investment property revaluation reserve is insufficient to cover a deficit, in which case the amount by which the deficit exceeds the amount in the investment property revaluation reserve should be charged in the profit and loss account."

The ASC has recommended that the new standard be made mandatory because: "If this methods of accounting is not considered to be essential for the purpose of giving a true and fair view, then under the forthcoming EEC fourth directive, it would not be a permissible method and annual depreciation would have to be charged."



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BUSINESSMAN'S DIARY

UK TRADE FAIRS AND EXHIBITIONS

Current	International Broadcasting Convention and Exhibition (01-240 1871) (until Sept. 23)	Metropola Hall, Brighton
Sept. 23-26	London Business Show (01-647 1001)	Cunard Hotel, W8
Sept. 23-26	OQEX '80—Opencast Mining and Quarrying Exhibition (061 832 6541)	Kenilworth
Sept. 28-Oct. 1	British International Footwear Fair (01-739 2071)	Olympia
Sept. 30-Oct. 5	International Home Improvements Show (01-486 1951)	Earls Court
Oct. 1-3	Textile Design Trade Show (01-839 8000)	Royal College of Art
Oct. 7-8	Bookmakers Show (07843 6255)	Bloomsbury Centre Hotel
Oct. 12-15	Junior Fashion Fair (01-636 1833)	Horticultural Halls
Oct. 14-16	Intefnepcon Conf. and Exbn. (01-390 0281)	Metropole Hall, Brighton
Oct. 14-17	Drive Electric Exhibition (01-834 2333)	Wembley Conference Centre
Oct. 14-17	Mailing Efficiency Exhibition (01-405 6233)	Cunard Int. Hotel, W8
Oct. 15-26	International Motor and Commercial Motor Show—trade days 15-16 (01-235 7000)	National Exhibition Centre, Birmingham

OVERSEAS TRADE FAIRS AND EXHIBITIONS

Current	International Office Equipment Exhibition—SICOB (01-439 3964) (until Sept. 26)	Paris
Current	International Exhibition for Automobile, Motor Car Workshop, Service Station and Garage Equipment—AUTOMECHANIKA (01-734 0543) (until Sept. 23)	Frankfurt
Current	International Food Industry and Non-Food Products Exhibition—IKOFA (01-486 1951) (until Sept. 24)	Munich
Current	Hardware Trade Show (QUOJEM) (01-439 3964) (until Sept. 24)	Paris
Sept. 24-26	Automatic Testing Exhibition (02802 5226)	Paris
Sept. 29-Oct. 2	VIDCOM — International Videocommunications Market (01-499 2317)	Cannes
Sept. 30-Oct. 4	International Exhibition of Machines and Processes for the Recycling of Waste Materials (Basle 061 262020)	Basle
Sept. 30-Oct. 4	International Fair for Machine Tools and Tools—INTERTOOL (01-540 1101)	Copenhagen
Oct. 2-12	International Motor Show (01-439 3964)	Paris
Oct. 8-9	Hydraulic, Pneumatic and Transmission Exhibition (01-950 2207)	Lille
Oct. 9-15	International Exhibition for Instrumentatinn and Automation—INTERKAMA (01-409 0956)	Dusseldorf
Oct. 10-12	International Children's and Young Peoples Trade Fair (01-409 0956)	Colngna
Oct. 12-16	Fashion—Samples Fair—INTERCHIC (01-540 1101)	West Berlin
Oct. 14-18	Business Machines and Equipment Exhibition (01-486 1951)	Helsinki

BUSINESS AND MANAGEMENT CONFERENCES

Sept. 22-26	IPM: Methods in Interpersonal Skills Training (029383 344)	Horsham, Sussex
Sept. 22-24	International Franchise Association: Franchising: Exporting for International Partnerships (0753 653546)	Hilton Hotel, W1
Sept. 23	College of Marketing: Innovation 1—New product search, licensing and tha generation of new ideas (06285 24922)	Café Royal, W1
Sept. 24	ESC: The Profitable Exploitation of Microprocessors in Instrumentation and Control (057282 2711)	Gloucester Hotel, SW7
Sept. 24	BIM: The Goodwood Seminar—The Opportunity for Recovery: Does it exist? Can it be grasped? What should Industry do? (0243 788373)	Goodwood House, West Sussex
Sept. 24	Webb Bowen: A Strategy for Industrial Peace and Progress (01-629 4953)	Pall Mall, SW1
Sept. 25-26	AMR International: It's about time management (01-262 2732)	Portman Hotel, W1
Sept. 25	Institute of Management Services: Energy Saving in Transport and Distribution (01-363 7452)	St. Ermin's Hotel, SW1
Sept. 28-Oct. 3	AMD: Export Management (Windsor 56047)	St. John's College, Oxford
Sept. 29-30	AMR International: Positive Discipline (01-262 2732)	Café Royal, W1
Sept. 29-Oct. 2	Calus: Cost Engineering (0734 861101)	St. Anne's College, Oxford
Sept. 30	College of Marketing: Innovation 2—Evaluation and acquisition of new products, processes and technologies (06285 24922)	Café Royal, W1
Sept. 30-Oct. 2	CPT: Public Transport in the Eighties Conference (01-831 7546)	Edinburgh
Oct. 1	FT Conference: Financial Futures for European Institutions (01-621 1355)	Hilton Hotel, W1
Oct. 2	CCC: Social Security Law—Timely Briefing for Non-specialist (01-222 6362)	London Int. Hotel, SW5

Anyone wishing to attend any of the above events is advised to telephone the organisers to ensure that there has been no change in the details published.

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UK NEWS

Review of milk distribution likely

BY DAVID CHURCHILL, CONSUMER AFFAIRS CORRESPONDENT

MILK DISTRIBUTION is likely to be investigated by the Monopolies and Mergers Commission following complaints that the absence of competition in milk supply has made the price in the UK Europe's highest.

Major supermarket chains in particular believe they could sell milk at up to Sp per pint less than the 17p doorstep-delivery price, if there were more competition.

But milk-prodncers warned that such a move could mean the end of doorstep deliveries and drastically cut milk consumption.

The Office of Fair Trading, responsible for referring cases of alleged monopoly power to the Monopolies Commission, is understood to bave decided that a full-scale inquiry is needed to determine the public interest.

The announcement of the investigation has been delayed, however, by pressure from the Ministry of Agriculture, which opposes a Commission investigation.

The Ministry — which cannot directly veto an investigation — is understood to have suggested that no probe ahould be mounted until the latest reports by management consultants reviewing the distribution system are completed.

Pressure for an investigation into milk distribution has grown following concern over tbe number of price increases sought by milk-producers. Milk accounts for about 10 per cent of the average family's weekly food bill.

Over the past 18 months the price has risen by almost 30 per cent—more than double the rate of food-price inflation generally.

The Consumers' Association bas written to Mr. Peter Walker, Agriculture Minister, saying that "as a result of the lack of vigorous competition and the simple cost-plus mentality which pervades the dairy industry, Britain's milk is just about the most expensive in Europe."

The association said "milk is wbolesaled by a monopoly, bought by an oligopoly, and import competition is absent.

A call for investigation into distribution was also made recently by the Common Agriculture Committee. It said there could be scope for reducing distribution margins for milk.

Under the present complicated system of milk costings, milk bought in supermarkets is often at least 1p per point dearer than that delivered to the doorstep. This is part of a deliberate policy to ensure that doorstep prices are not undercut, but supermarkets say the shop price is effectively subsidising doorstep deliveries.

Supermarkets say consumers should be given the choice, as they are in Scotland where about half the total sales of milk are through retailers.

The milk-producers, bowever, say cheaper milk in supermarkets would make it uneconomic to deliver to doorsteps. This could cut total milk consumption aod lead to some dairy-farmers going out of business.

It will be for the Monopolies Commission to decide who is rights for the interests of consumera in general, although an investigation, when it is finally anodunced, will take two years.

Decision expected this week on Coral London casino licences

BY ANDREW FISHER

CORAL Leisure Group's battle to keep its London casino licences returns to the courts today, as the Metropolitan Police and the Gaming Board resume their efforts to have the clubs closed.

The South Westminster Licensing Justices are expected to come to a decision on Wednesday or Thursday on the fate of three of the licences; the fourth is outside their jurisdiction.

The casinos directly involved are the Palm Beach, the Curzon Houses, and the International Sporting Club. The fourth, Crockford's, comes under a different licensing area, but its fate will clearly follow that of the other three.

Coral, which is being taken over by Grand Metropolitan for over £80m, intends to appeal if the decision goes against it. "We would consult our advisers on the sense of an appeal," said Mr. Nicholas Coral, the chairman. "As far as I'm concerned, there is no doubt that we would appeal."

Also making a brief appearance at Marlborough Street Magistrate's Court will be his brother, Mr. Bernard Coral, currently on £20,000 bail after being charged with various offences after a police raid on the group's London clubs and offices last year.

The former head of Coral's casino division, who left the main board in June, has been charged with conspiring with Mr. Alan Watts—former deputy managing director of the casino division, whose whereabouts are not known—to breach the Theft and Gaming Acts.

The police have also alleged that Mr. Bernard Coral tried to bide from the auditors and shareholders of Coral the fact that offences had been committed in the clubs. Altogether, he faces 12 charges, including conspiracy to pervert the course of justice; his full trial is likely to be set for early December.

This year has proved a dismal one for Coral, with the major question mark over the future of its gaming activities accompanied by a sharp drop in half-time profits, before Grand Met—which also has casino interests—moved in with its bid early this month.

Car tax exemptions plea

BY JAMES McDONALD

THE National Consumer Council has asked the Government to amend its plan to make all owners of motor vehicles pay Vehicle Excise Duty, whether or not the vehicles are in use.

Under the Government proposal, owners could apply for exemption for vehicles out of use for a year. The council says this is too long, and people should be eligible for exemption—before the tax is due for renewal—if the vehicle is out of use for four months.

"Otherwise, the tax will be an unfair burden on, for instance, motor cyclists who might not want to use their motor-cycles in winter because of dangerous weather conditions, and on poorer people in rural areas, forced into car ownership because of inadequate or non-existent public transport."

The Transport Department said yesterday many comments had been received on the plan, published as a Green Paper in July. They were being analysed and the result would go to Mr. Norman Fowler, the Transport Minister, who intends to introduce legislation in the next session.

Tesco tries to market savings plan

By David Churchill, Consumer Affairs Correspondent

TESCO supermarket chain is experimenting with the sale of a life assurance-linked savings scheme called Family Fortunes.

The scheme, which is being test-marketed in nine stores, represents the first attempt by a major retailing group to exploit the potential for sales of life assurance linked to savings plans.

Devised

The Tesco scheme has been devised by the Abbey National building society and the Family Assurance friendly society. Investment is limited to £10 per month until April next year, and £10.50 thereafter. By linking the savings to life assurance, savers will also get the benefit of tax relief on the life assurance element. To back up the promotion, Tesco is offering a £5 grocery voucher for the first 200,000 investors.

The company is reluctant to say how successful the test market campaign has been so far. It will decide whether or not to continue with the scheme after it has evaluated a nine-week trial.

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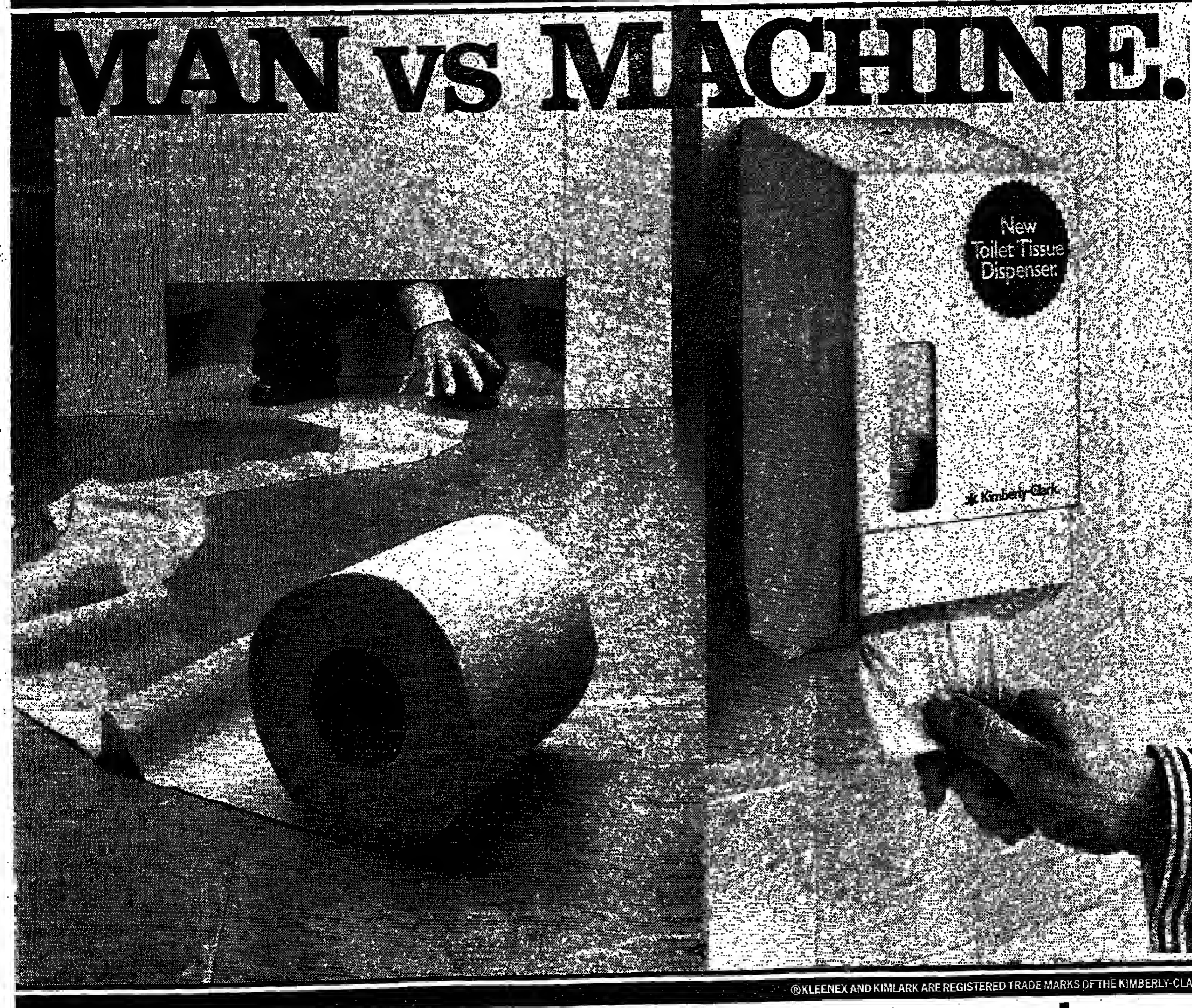

Whenever the facilities in a washroom aren't functioning efficiently, it can lead to a great many problems for a great many people.

Rolls for instance, are continually running out at the wrong time. A situation which isn't helped by people tearing off more than they need.

Alternatively, there's considerable wastage on replacement when the janitor has to provide the washroom with new rolls before the old ones have completely run out.

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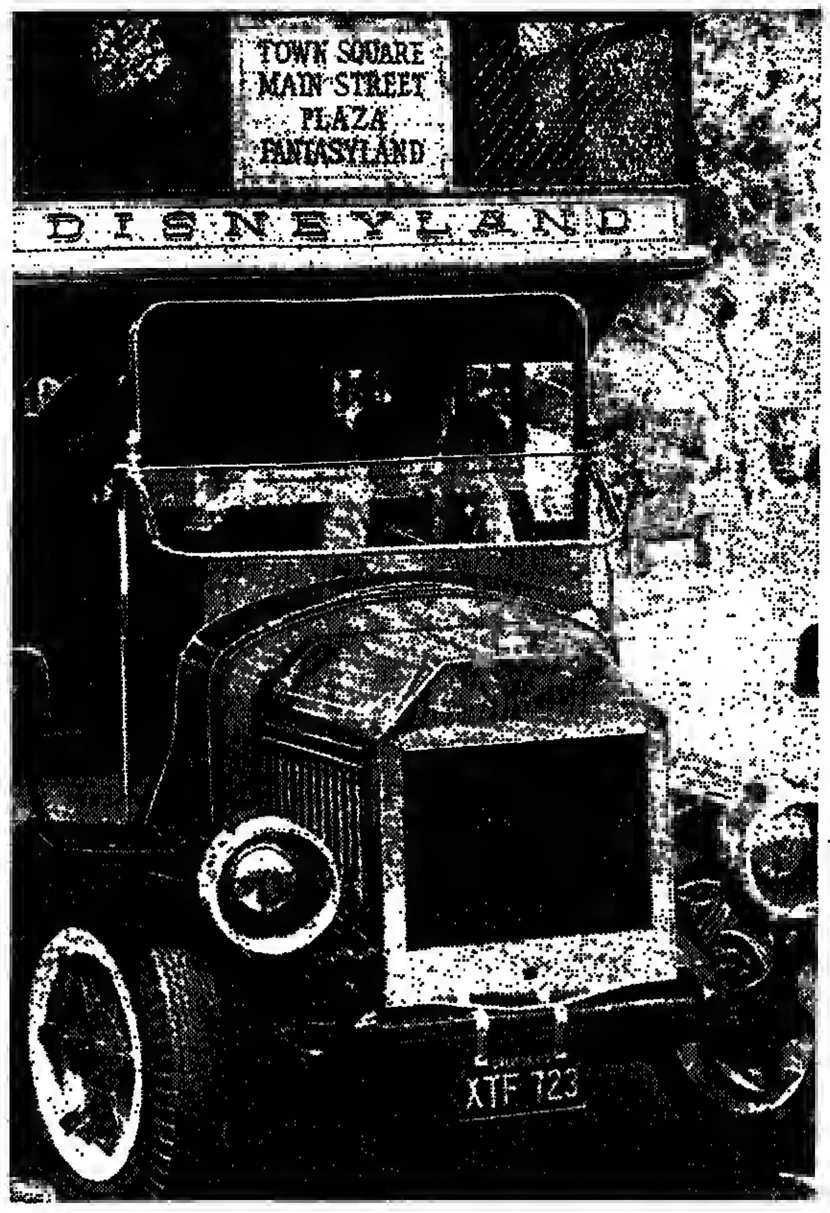

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UK NEWS

Talks restart with U.S. on unitary tax

BY TIM DICKSON

THE British Government is to resume discussions with the U.S. tax authorities about the controversial unitary taxation system.

Unitary taxation is the method by which individual American states tax UK and other overseas companies on the basis of group profits around the world, rather than profits earned in a particular state.

The system has prompted strong objections from UK-based companies operating in states such as California, Alaska and Oregon.

Mr. Peter Rees, Minister of State at the Treasury, arrived in the U.S. last week on an eight-day tour to discuss a number of wide ranging taxation matters. The Treasury has described the visit as "very exploratory."

Earlier this year the Government tried to get the unitary taxation system banned but when it became a constitutional issue among the States the efforts were dropped. As a result, unitary tax remains in operation.

Mr. Rees will also be studying the U.S. experience of anti-tax avoidance legislation and steps being taken to remove tax obstacles to company demergers.

The difficulties of demerging has been an important issue recently in the UK, and the recent Finance Act contained clauses designed to deal with the problem. The aim of the legislation is to help companies genuinely wishing to demerge which might otherwise be put off by the burden of taxation involved.

FT Survey of Consumer Confidence

Many would accept pay rises of 10% or less

BY DAVID CHURCHILL, CONSUMER AFFAIRS CORRESPONDENT

PAY RISES of 10 per cent or less in the next annual wage round would be acceptable to nearly half the people questioned in the Financial Times Survey of Consumer Confidence, published today.

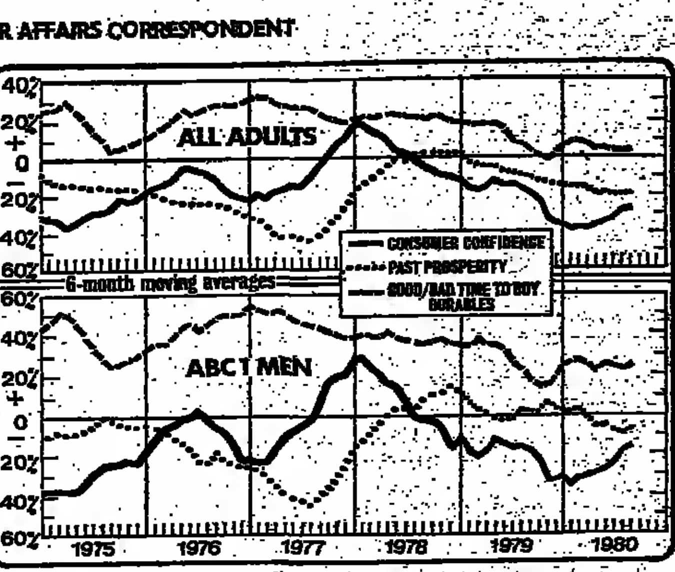
Of almost 1,000 adults questioned, 49 per cent would accept 10 per cent or less, while only one in 10 would not be prepared to accept such a pay increase.

Of those surveyed, 38 per cent said the question did not apply to them since they were either self-employed, unemployed, or housewives who did not work. A further 4 per cent gave no answer.

The heaviest support for a pay policy of 10 per cent or less came from men in the ABC1 socio-economic group (professional and executive workers). A 10 per cent or less pay "norm" was supported by 58 per cent of this group, while 11 per cent said they would not accept this level.

But men from the manual worker grades (C2DE) also supported the 10 per cent level. It was backed by 56 per cent, although 17 per cent—higher than the average—were against the 10 per cent figure.

The 10 per cent level was supported by 44 per cent of women from the ABC1 grade—with only 3 per cent against—while C2DE women gave 41 per cent of support with 6 per cent against.



The higher level of support for rises of 10 per cent from ABC 1 workers is not surprising, since across the board percentage pay rises tend to favour them because of their higher salaries. But the level of support among manual workers will give some comfort to the Government.

Meanwhile, the level of consumer confidence in September continued to rise for the third month running, in spite of the worsening economic recession, according to the survey.

The index of future confidence stands at minus 22 per cent—the highest level since shortly after the Conservatives came to power.

The September survey showed that 22 per cent of adults questioned expected conditions to improve, while 44 per cent expected them to worsen. This gives an index of minus 22 per cent, compared with minus 24 per cent last month.

The six-monthly index has risen to minus 28 per cent, its highest level this year.

The Financial Times Survey of Consumer Confidence was carried out between September 4 and 11 by the British Market Research Bureau. A sample of 966 adults was interviewed.

Biffen talks to industrialists

MR. JOHN BIFFEN, chief secretary to the Treasury, is to address industry representatives at a seminar on Parliament, said to be the first of its kind.

The meeting, to be held today and tomorrow at Maidenhead, Berks., has been arranged by Industry and Parliament Trust. This body was set up three years ago as a bridge between those who manage Parliamentary affairs and those who manage industry.

Other speakers will include: Mr. Bernard Weatherill, Deputy Speaker; Mr. Michael Jopling, Chief Whip; and Mr. Michael Cocks, Opposition Chief Whip.

Weighell seeks rail deal

BY OUR LABOUR STAFF

THE LEADER of Britain's biggest rail union yesterday warned other unions in the railways that unless fresh efforts were made to talk about productivity they may have job cuts imposed on them.

Mr. Sid Weighell, general secretary of the National Union of Railwaymen, made clear his impatience over the failure of other unions to back up the NUR's recent initiative on productivity.

Speaking to a conference of more than 6,000 signalmen in Chester, he made a renewed plea to ASLEF—the train drivers' union—and the Transport and Salaried Staff Association to join talks with management on a demand for inflation-linked pay rises. The increases would be in return for the union's agreement on new working practices and a run-down in manpower.

Mr. Weighell's call for unity on the issue followed the NUR's failure last month to persuade the TSSA and ASLEF to accept his draft plant for a productivity claim.

He had hoped that talks between the three unions would be reconvened this month but so far there have been no firm plans for further joint union discussions.

Row halts two Scottish papers

A ROW over a pay claim by 130 print workers has halted publication of two of Scotland's biggest newspapers.

Directors of the Scottish Daily Record and its sister paper The Sunday Mail have suspended publication of the papers.

This move came after management asked for an assurance of normal working from the composing and press room chapels (office branches) of the Scottish Graphical Division of SOGAT, the print union, but the chapels were unable to give the assurances.

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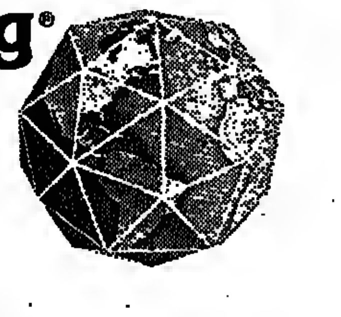

Manufacturers Hanover, a major U.S. bank with $50 billion in assets, announces the opening of a wholly owned subsidiary in Luxembourg, Manufacturers Hanover Bank Luxembourg SA.

With this new office, we add an important link to our Geobanking network of 100 strategic offices, subsidiaries and affiliates in 40 countries. A network that helps keep money moving and working around the world for our clients.

Financial expertise on a worldwide scale, coupled with a sensitivity to local customs and market conditions, has earned our officers the title of "Geobankers."

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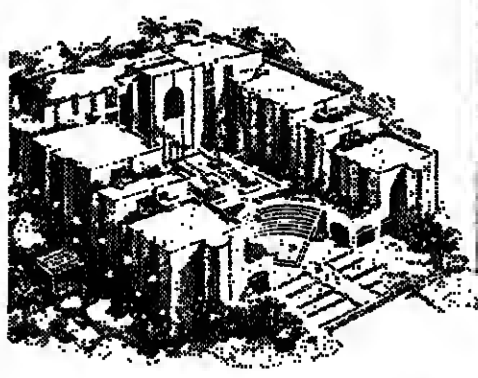
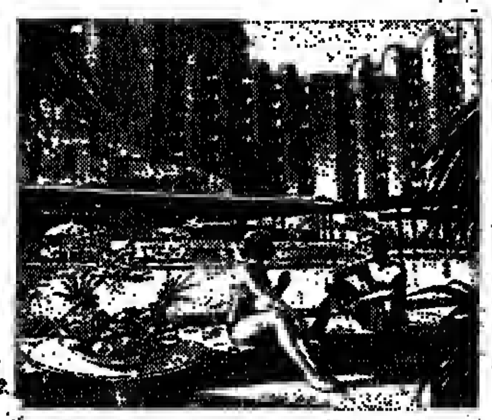
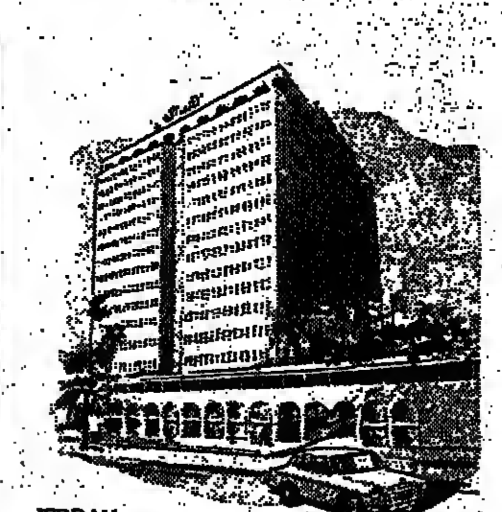


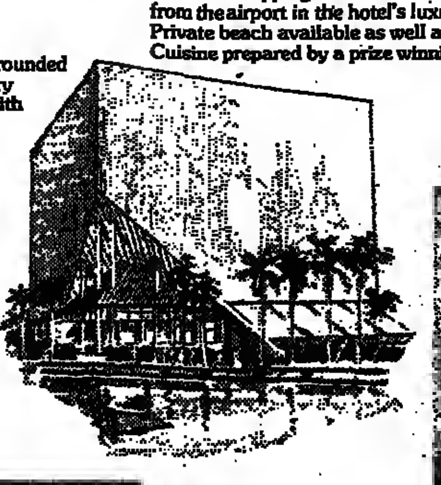


ABU DHABI-SHERATON – A new hotel overlooking the azure waters of the Gulf. Close to shopping district and a 12-mile ride from the airport in the hotel's luxury limousine. Private beach available as well as hotel pool. Cuisine prepared by a prize winning staff.



JEDDAH-SHERATON – Only a few minutes from the airport, this luxurious new 17-storey hotel is within easy reach of Jeddah's commercial centre. Every Sheraton service and facility; satellite-linked phones, poolside barbecue; delightful dining in the gourmet restaurant.

DAMASCUS-SHERATON – Surrounded by magnificent gardens, this luxury hotel combines oriental designs with contemporary comfort. Amenities include swimming pool, tennis courts, shopping arcade and a choice of elegant dining rooms. Each room is beautifully appointed.



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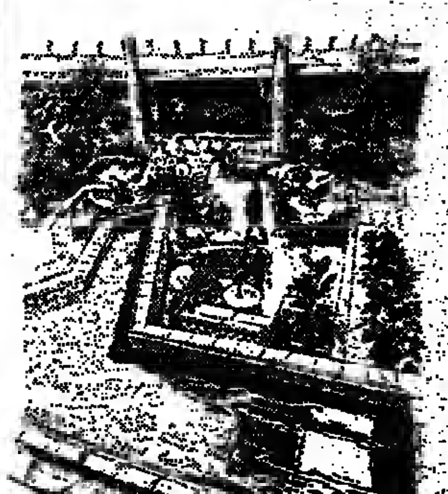

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Technical Page

EDITED BY ARTHUR BENNETT AND ALAN CANE

● BANKING

Olivetti automates Belgian bank

OLIVETTI, the Italian electronics and office equipment group, last week tied up a hat-trick of international financial contracts.

It announced it has been retained by the Belgian joint-stock company, Credit Communal de Belgique, to automate its branch offices.

The project will involve the installation of minicomputers and banking terminals in over 1,000 separate locations. Olivetti was not prepared this week to disclose the contract price, but reliable sources put the figure between $60m-$80m.

That would make it one of the largest contracts of its kind ever awarded.

Major competitors for the Belgian order included IBM, the world market leader, Nixdorf of Germany, Philips of Holland, and Burroughs of the U.S.

In the past two years, Olivetti has now won three of the largest contracts to supply distributed data processing system to credit installations in Europe. The list includes the Syndicate of Danish Savings Banks, and the Abbey National Building Society in the UK.

The Belgian system will be based on Olivetti's S6000 line of distributed data processing equipment and first installations will be at the beginning of 1981.

● QUALITY CONTROL

Component testing

A RANGE of electronic equipment specially designed to test purchased analogue components from diodes and transistors, linear and consumer integrated circuits to data converters and hybrid circuits has been introduced by Deltest Systems, 32 West Street, Poole, Dorset (02013 85834).

Based on related packages, each comprising a hardware module and high-level software, the range is claimed to offer an efficient testing facility in compact form and at a reasonable cost.

A typical small facility for testing components received from a manufacturer would consist of a single mainframe and two related units (for example, for diodes, transistors and linear integrated circuits) at a total cost of about £20,000.

Such a facility could be extended in terms of device types simply by adding related packages or, to achieve a higher throughput, by adding further mainframes.

Deltest was formerly known as Custom Marketing (Poole) and a long-term growth plan is now being implemented with the aid of equity-based investment by the Midland Bank.

Fast construction techniques are part of... Norwest Holst total capability 01-235 9951

● LUBRICATION

Looks after the small parts

FOR SITUATIONS where avoidance of contamination is vital, a system is available for dispensing small quantities of lubricant to small moving parts in precise, metered quantities. It has been devised by Liquid Control, Stewarts Road, Wellingborough, Northants (0933 77571).

Oil, grease, fluid grease and other viscous liquids, including resins, can be dispensed from the equipment which costs £400, is bench mounted, and operated by a foot pedal located underneath the work station.

The dispenser includes a vacuum drip-control and filling facility, accurate control of shot size, shot duration and dispense pressure, and the ability to handle a very wide range of different viscosities.

Vacuum facility gives the operator control over dripping between shots — said to be especially useful if low viscosity oils are being dispensed.

By adjusting vacuum, the operator can eliminate the tendency for thin fluids to seep out of the injection tip when the system is not in use.

One special advantage is the ability to dispense two or more shots at the same time using a simple manifold which serves three different barrel reservoirs and dispensing points—thus enabling the operator to increase application speed.

● PROCESSING

Flattens cars in three minutes

ABANDONED OR redundant motor vehicles should not present too long an eyesore in the graveyards of scrap processors since the introduction to the UK of a plant able to reduce cars into small, compact packages in under three minutes.

Made in Italy by Officine Vezzani S.p.A., the Vezzani PC500LL has a shearing force of 500-ton, a box 22 ft in length and 6 ft wide, and is capable of five to seven strokes a minute.

Side compression is 200-ton, lid compression, hold-down force and feeding cylinder are each 100-ton, and the machine incorporates a special haling device for the production of haled materials.

Scrap processors, E. J. Shanley and Son (Trowbridge) are now operating the shear and handle over 500 tons of general light scrap a week—prior to the installation of the Vezzani plant, the company's weekly throughput of light scrap at its Trowbridge works was in the region of 120-150 tons.

Particular advantage of the equipment is the elimination of a good deal of pipework in the oleodynamic circuit, says the scrap men. This has been replaced by a forged steel block mounted on top of the oil tank to distribute oil through bored and ground passageways.

Other benefits include the use of three double-shafted 125 hp motors mounted beside the oil reservoir tank which drive three high pressure Linde pumps and three low pressure Hamworthy pumps and give a simple, tidy power pack layout.

Distributor in the UK of this equipment is George Cohen Machinery, 23 Sunbeam Road, London NW10 (01-965 6588) which has processing plant in operation in France, Switzerland, Spain, Romania, Yugoslavia, Albania, USSR, Hungary, Argentina, Brazil and Mexico.

Part of the 600 Group, the company provides a comprehensive technical after-sales-service which includes off-the-shelf spares to cover any breakdown likely to occur—a factor, says George Cohen not lost on the British scrap men who consider this to be a significant element in the purchase of equipment of this nature.

Cold-water wash for bogies

STEAM HEATED water and chemical additives were used for cleaning bogies at British Rail's repair shop in Ashford, Kent, until the installation of a new unit there which utilises only cold recycled water to remove difficult dirt and grease.

Former method used large amounts of water, created a steamy environment in which it was difficult to work, and engineers had to wait for the bogies to cool before being able to handle them.

Two prototypes operating now were designed to fit the foundations of existing hot water washing plants at Ashford and incorporate pneumatically controlled lift-up doors, pvc curtains, and are semi-automatic—operated from a push-button panel.

In each wash chamber, cold water is forced at a pressure of 600 psi at the bogie, which oscillates back and forth through 18 rotating jets.

The water is cleaned and recycled. the heat generated by the pressure of the 15-minute wash having raised the water temperature to 32 degrees C, enough to aid drying and prevent winter freezing, says designer Tempest and Dibb, Mount Street Works, Mount Street, Bradford, West Yorkshire (0274 29341).

Passenger trains at Ashford are serviced every 100,000 miles. Before washing, the carriage body is removed from the two bogies carrying each vehicle and it is stripped of electrical and small mechanical components.

Each bogie is drawn into a wash chamber by a conveyor-chain running between the rail tracks. Small mechanical equipment requiring a wash is placed on a mesh tray which rests on the bogie.

Heavy dirt settles in a trough below the bogie while the water passes into a settling tank which incorporates a scraper filter, then through a hydrocyclone filter unit before returning to the main wash solution tank for recirculation.

The chamber is illuminated by fluorescent lighting enabling the complete washing process to be viewed through its glass port holes.

Value of each of the Ashford installations is £65,000.

● MAINTENANCE

Combs the beaches

KEEPING holiday beaches, parks race courses and other public amenity areas clear of rubbish is an ever-present problem.

A machine claimed to help overcome the problem is the RP 200 Moreau which is offered by Plant and Equipment (London) of Rowsley, near Matlock, Derbyshire DE4 2EB (062 983 3391).

This machine is mounted on two pneumatic-tyred wheels and can be towed by any standard tractor unit. Clearing of rubbish is effected by a series of rows of flexible spring steel tines which comb the ground beneath.

On a beach, combing is to a depth of four inches while on grassland the depth can be adjusted as required. Rubbish is carried upwards to a hopper which can be raised hydraulically for tipping into a trailer or lorry.

It is claimed that the machine, working at 6mph leaves a clean, continuous, combed strip of sand or grassland 6 ft 6 in wide and will deal with five acres in an hour.

Steel cut safely by water

ON OFFSHORE oil or gas platforms and in other potentially explosive environments a system is now available for cutting steel by high-pressure water jets.

In this design, abrasives are added to the jet—as water by itself will only cut steel with great difficulty—says BHRA Fluid Engineering, Cranfield, Bedford (0234 750422).

This self-contained steel cutting system, to form part of the standard equipment of an emergency support vessel, has been created in response to a request from British Petroleum.

The cutting head, which is to operate at distances up to 150 metres from the pump, has already been designed and developed at BHRA with support from the National Research Development Corporation.

Using a cheap, throw-away abrasive, the head readily cuts through 13 mm mild steel plate at speeds greater than 100 mm a minute.

It has been operated safely in explosive atmosphere of hydrogen/air and methane/air during a series of trials sponsored by the National Coal Board, and in tests undertaken at the Safety Engineering Laboratories of the Health and Safety Executive.

The system will include a high pressure water pump with diesel motor drive, adapted to operate safely under Zone 2 hazardous conditions and the project also includes an evaluation of the abrasive slurry feed system required.

BHRA says it sees this as the first of a new generation of equipment for cutting hard materials, exploiting the benefits of water jetting, such as dust suppression and the ability to contour cut, as well as operation in explosive areas.

● CALCULATORS

Designed for students

LAUNCHED TO meet the start of the new school year are two calculators for students, with one model aimed particularly at the younger school child.

First is a dual display teaching calculator, model LC2200 costing about £14, and the second—introduced to provide comprehensive functions for secondary students and examination work is the scientific model LC 3400 (about £13).

Both models have the latest liquid crystal displays providing many thousands of hours of use from the batteries supplied, says Systema Watch Company (England), 371, Station Road, Harrow, Middlesex (01-427 2352).

● DATA PROCESSING

COM will hold its own: report

The CONCLUDING paragraphs of the 1980 review of the computer output on microfilm (COM) market by G. G. Baker and Associates indicate that provided the 11 active suppliers of machines can match customer need they should be able to hold their own in the face of newer technologies.

The fact that pure electronics methods of storing and retrieving information are becoming increasingly cheap, in hardware terms at any rate, will make them increasingly attractive where frequent update and instant retrieval are needed. But where the requirement is more archival and/or absolute newness of the data is not too important COM will probably endure, although those offering dry processing of the film and its integration into the main machine will certainly find favour.

For many uses in this area it is evident that speed and immediacy are not as important as price and the use of hundreds of on-line terminals would be pointless.

At the end of 1979 there were 1239 COM recorders operational in Europe of which 79 can work in full graphic as well as the normal alphanumeric mode. Datagraphix remains the market leader with 27.3 of the machines but is closely followed by NCR (16.8 per cent), Agfa Gevaert (15.8 per cent) and Kodak (12.6 per cent).

It is interesting to see that, in the UK in particular, the market has recovered from the downturn of 1978. There are now 223 recorders operating in the UK according to G. G. Baker and Associates, about 32 per cent of them in the financial and insurance sector. Bureaux are the second largest group of users with 27 per cent.

This survey, which restricts itself to Europe including the UK (with rather more detail on the latter) runs to 50 A4 pages and covers machine sales, film usage and the COM bureau market.

Cost of the report is £125 in the UK (£135 to include air post overseas). It can be obtained from G. G. Baker and Associates, 54, Quarry Street, Guildford, Surrey (04868 6653).

● EXHIBITION

Show in Saudi Arabia

TAKING PART in the first Middle East Electricity Exhibition (Jeddah, Saudi Arabia, February 28 to March 5, 1981) is a record number of British electrical and electronic companies.

British Overseas Trade Board will support the 72 exhibitors from the UK whose participation is being organised by the British Electrical and Allied Manufacturers Association (BEAMA) which represents the interests of nearly 600 electrical and electronic companies.

The exhibition is said to be notable for the high level of international support it has attracted. Companies from the UK face strong competition from American, Canadian, West German, French, Belgian, Danish, Korean, Swiss and Finnish exporters all of which will be supported by their respective governments.

More from organiser, Fairs and Exhibitions, 21, Park Square East, London, NW1 (01-935 8200).

● HANDLING & STORAGE

Goods kept securely in place

WOODEN PALLETS now seem the most conventional means of transporting goods but in some cases have created problems for manufacturers using sacks, bags and cartons, because unless these containers are properly secured they can move on the pallet, often resulting in damaged packs and costly product losses.

Loads are usually secured by shrinkwrapping or banding but there is a risk of their becoming dislodged due to accidents or unexpected impact.

An alternative method has now been launched by Industrial Adhesives, Moor Road, Chesham, Bucks, whose packaging and conversion division has developed an anti-slip sheet which has a special coating.

These sheets are produced in single face "B"-flute corrugated board and coated with Indatex NL 1011 on the outer kraft liner to effect an anti-slip surface.

The sheet is laid coated side down on the pallet base, and a second sheet placed over it with the flutes interleaved, thus providing a flat, non-slip surface to thwart the sliding off the pallet of bags, sacks or cartons.

Pallet stacks can easily be built up with two interleaved sheets or board positioned between every two layers, to any height required for transportation on the pallet.

The coated board can be supplied in standard pallet size sheets, or in roll form, and in coating weights varied to suit individual customer's requirements, says the company which adds that the board is not only restricted to this purpose but offers many other uses throughout industry.

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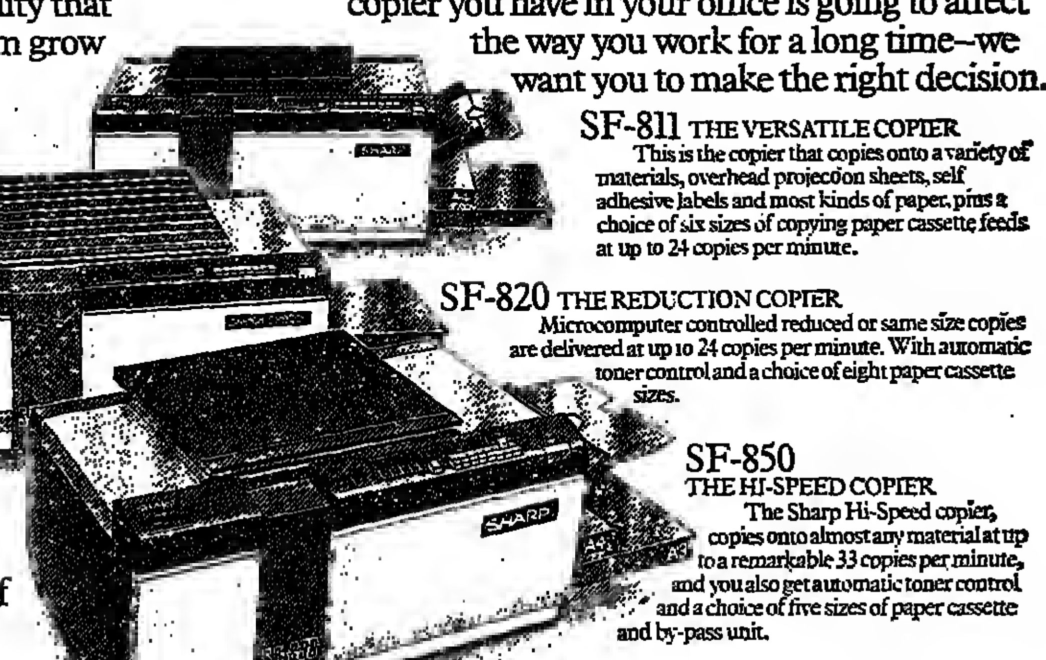

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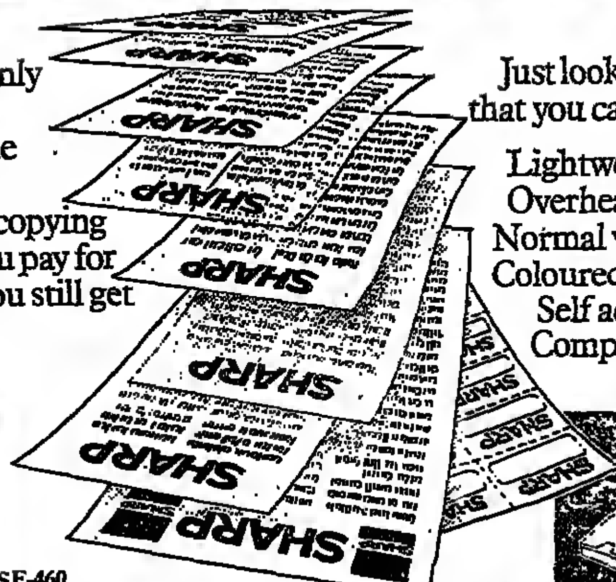

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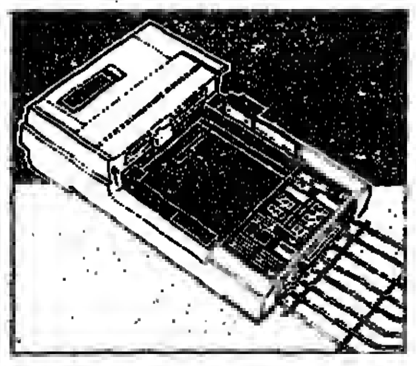

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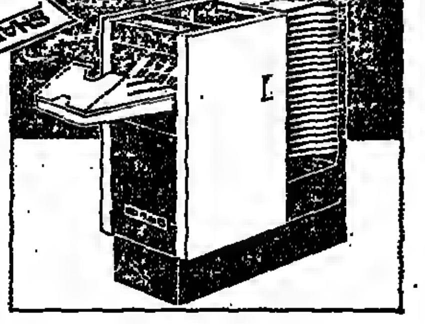

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THE MANAGEMENT PAGE

EDITED BY CHRISTOPHER LORENZ

How a Trotskyist turncoat took the capitalist road

A self-confessed consumers' ally is running a £140m discount retail chain. **David White** reports

André Essel: "There is no Left-wing way to run a company".

SOME MIGHT call it treason. For a good part of his teens and 20s, André Essel was a militant Trotskyist. Now he is head of a £140m a year company, with more than 2,000 employees and which is quoted on the stock exchange.

In the 26 years since Essel first tried his hand at running a cut-price camera business from a friend's second-floor flat, his FNAC stores have settled into a secure and special niche in French retailing. Controlled since 1977 by a group of consumer organisations, FNAC has become the feared giant among the country's booksellers, the biggest record-dealer, number two in photographic and audio equipment, and one of the leading sports shops.

FNAC is as unique an institution as is the Club Méditerranée, aiming as they do at the tastes and needs of the sophisticated young. Besides being a retail chain it is also an association whose 350,000 members are entitled to special facilities. It cultivates its image by offering consumer advice and by organising practical workshops and cultural events, rather than by spending money on advertising.

Essel is as polished as FNAC's image. Though just turned 62, he looks very much the trim young executive. He wears smart grey suits. On his office wall hangs a homely embroidery depicting the main landmarks of his business success.

So what has happened to the leftist? He now describes himself as a liberal, vaguely social-democrat, with no allegiance to a political party. The parties as they exist in France he finds "completely ridiculous." He doesn't vote Left; he doesn't vote at all.

"In 1938 I was a Trotskyist because I thought, like Trotsky, that Socialism in the USSR had become degenerate and that it just needed curing to recover its vigour," he says. "We had the right to believe that in 1938."

Essel came from a family of textile wholesalers. He became a political activist from the age of 16 and was involved in clashes with right-wing groups. Having been in the army at the beginning of the war, he then worked for underground newspapers. A confirmed enemy of "colonialism, the army, priests and bureaucrats," he became national secretary of the young socialists in 1946 but resigned the next year.

In the early 1950s Essel and one of his far-left comrades, Max Théret, started selling photographic equipment at a discount. This came about because Théret, who had started running a purchasing scheme for civil servants using a list of approved shops offering discounts to the clients he brought in, also had a photographic laboratory in his flat. There was no photo store on the list, and so they turned the lab into a 15 per cent discount store. They called their business the Fédération Nationale d'Achat des Cadres (the National Purchasing Federation), adding the "cadres" as an afterthought—the class of qualified and management people for which they were aiming. It was FNAC for short, and the name soon got round by word-of-mouth. Essel and Théret then took over the premises of a bank and a restaurant next door.

Futuristic

The site on the un-chic Boulevard Sébastopol near Les Halles was expanded sixfold before it was closed last year, when FNAC took 11,000 square metres in the French capital's smartest commercial centre, the futuristic Forum des Halles.

But FNAC had already grown up—and lost its financial virginity. It had been expanding fast and in 1970 built a Left Bank bookshop in the Rue de Rennes, now its headquarters. FNAC was also selling discount electrical goods at the upper end of the market and with more competitors coming into that area, the bookshop was intended to refurbish FNAC's image. The company, bound to tight profit margins, needed money. Two banks, Paribas and a subsidiary, the UAP insurance group, joined forces with the two ex-leftists and between them built up a 49.5 per cent shareholding.

Three years ago—a time when FNAC was facing its first strike problems — it found another partner in the form of SGCC, the central body for a group of consumer co-operatives, which act both as trading concerns and consumer defence organisations. The co-operatives took a majority stake of 50 and a fraction per cent. Today they find themselves in the rather odd situation of having a subsidiary on the stock market.

In March this year Paribas and UAP agreed to place part of their stake—142,000 shares, 25 per cent of the total—on to the Paris Bourse. This introduction went off well, with applications for 1.8m shares.

In the meantime FNAC has been building up its presence in the provinces, selecting big university towns like Lille and Toulouse. A first foreign subsidiary, in Brussels, is on the drawing board. If it works, others will follow in Belgium and possibly Holland. FNAC will be not only capitalist, but multinational, with a chairman who still lives partly on his reputation as a left-winger.

Does his background change the way the business is run? Essel does not really like the "Left-wing employer" label, partly because it puts him in the same basket as Jean-Baptiste Doumeng, the card-carrying Communist who runs one of France's biggest farm produce concerns, and partly because he sees it as a contradiction.

"There is a limit to the number of ways you can run a company," Essel says, and "there is no Left-wing way." FNAC's success is based on tight management, intensive use of space and efficient rotation of stocks.

Conservative

The only area in which the difference may be felt is human relations. "I will only believe in the existence of a Left-wing employer," François Ceyrac, head of the Patronat, France's industry confederation, once said, "the day his employees present him to me as such."

At FNAC, labour relations have turned out to be more conventional than Essel aimed for. He says he pushed employees to form a union in 1968. There are now two. Essel's despair is that unions should so often be conservative. He complains about their insistence on differentials, about "organised unproductivity" and the bad faith of some. It is, he says, not his fault that FNAC workers are relatively less well paid now than they were 10 years ago.

Even so, there is an advanced worker participation scheme, which last year brought in average benefits equivalent to three weeks' work. The employees work a 38 hour week and since 1968 have had an annual five weeks' holiday. Relations on the sales floor are relaxed. "We do not take on people who act like bosses," says Essel. "People who leave FNAC to work somewhere else suffer traumatic effects."

As a big business, can FNAC maintain its ethos? As a quoted company, can it still stop the profit motive from taking over? Essel is adamant. FNAC will never make big profits. It aims at an after-tax margin of two per cent, but is somewhere short of that. In its 1978-79 financial year group net earnings were FFr 18m (£1.8m) on sales of FFr 1.14bn. Turnover has been rising at an annual rate of 25 per cent, but profits for the last 12-month period are not expected to be very different. A bigger margin, Essel says, would mean its prices were too high and that it risked being undercut.

FNAC claims its prices are still better overall than the competition's, although hypermarkets' promotional items are frequently cheaper. There have been attempts to emulate the FNAC formula of discount prices coupled with consumer advice in photo equipment, but without success. Essel notes with satisfaction that this is the sector in which FNAC has its biggest market share—10 per cent.

It got out of ordinary household electricals, where the competition was hottest, just in time, because sales have been slumping. Instead, FNAC concentrated on books, which are now its main source of growth and its major department after hi-fi and radio. Apart from keeping up with new electronic equipment, it plans to stay with its present range of activities.

Deceit

The biggest knock to FNAC's reputation came last year when it was discovered that some of its salesmen were paid in part by hi-fi manufacturers. A consumer magazine published its article under the headline "Deceit at FNAC."

Essel says that the system was stopped a year ago and that the half-dozen salesmen involved were fully integrated into the FNAC staff.

Another problem came when Bang and Olufsen took FNAC to court for "comparative publicity." Comparative tables brought out and revised by FNAC every six months show the results of tests on everything from cross-country skis to slide-projectors. Bang and Olufsen held that the tables were illicit advertising and infringed French law in that they favoured B. and O's competitors. The hi-fi producer won on technical grounds and FNAC had to pay one franc in damages. But it was allowed to continue publishing its tables.

"In politics, people vote with ballot papers, in commerce with their feet." Essel does not claim to defend the consumer—consumer associations do their own job—but to be his "ally." He has a credo of rigid independence vis-à-vis producers or publishers and is a veteran crusader against price-fixing. The man who, during a shop assistants' strike in pre-war Paris, once proposed nationalising the retail sector, now regards U.S. anti-trust laws as being more "left" than nationalisation. He says he could fight successfully against Kodak over restrictive practices but could not have done the same in the cigarette business, a state monopoly.

"It all depends what you mean by "left." Essel's current formula—"I put liberty on the left, constraint on the right"—could be used to demonstrate that Prime Minister Raymond Barre, by scrapping price controls (a move of which Essel approves and from which FNAC has benefited), is really a left-winger.

Some might argue that beneath the veneer of the ex-Trotskyist lies a more orthodox, paternalistic "patron." Essel was flummoxed when asked how much he earned, and preferred to give the salary of his managing director. It was between five and six times the sales floor average.

But FNAC's reputation, as a semi-cultural, semi-co-operative organisation, is bound in with the personalities at its head. Three years ago Essel brought in as general secretary and potential successor another man with a name for left-wing ideas: Claude Neuschwander, a former advertising executive who spent a couple of years at Lip, the bankrupt watch business which had undergone a historic saga of worker occupation.

The progressive image of management appears to be there to stay at FNAC. It is, after all, part of what it sells.

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BUSINESS PROBLEMS

BY OUR LEGAL STAFF

Farm security

With reference to your reply to us, which was published in Business Problems on July 2, under the heading Agricultural Security we took your advice, and gave the farmer two months in which to pay—which resulted in him sending a post-dated cheque for August. We have therefore served a notice to quit in 12 months' time under case D of subsection 2(3) of the Agricultural Holdings (notice to quit) Act 1977. Will we have to pay the farmer any compensation? He has paid no rent since February 1978.

Compensation for disturbance is not payable where the notice is given under Case D (and it is substantiated). The only compensation therefore would be for improvements, seeding, leys, etc.

Tax relief

I at present live on interest on investments and am considering writing a series of travel books. Shall I be able to charge expenses incurred researching routes on the continent and so reduce or eliminate my present tax liabilities?

Unfortunately, there is quite a chance that you will get no tax relief for anything beyond paper and typewriter ribbons, etc. (for one of two or three reasons).

We recommend that you consult a tax adviser or a literary agent, if you consider that the amount of tax at stake is likely to justify the expense of professional guidance. As a first step, you could ask your tax inspector for a copy of the free booklet IR28 (Starting in business).

Audit fee

We are a small limited company and find that our accountants' fees are now so large that for our last audit they work out at about 14 per cent of our net profit. With limited companies is it possible to change accountants?

The company may change its accountants, but if they are its auditors special notice of any resolution to remove them must be given pursuant to Section 160 of the Companies Act 1948, and the resolution must be passed at an annual general meeting of the company.

No legal responsibility can be accepted by the Financial Times for the answers given in these columns. All inquiries will be answered by post as soon as possible.

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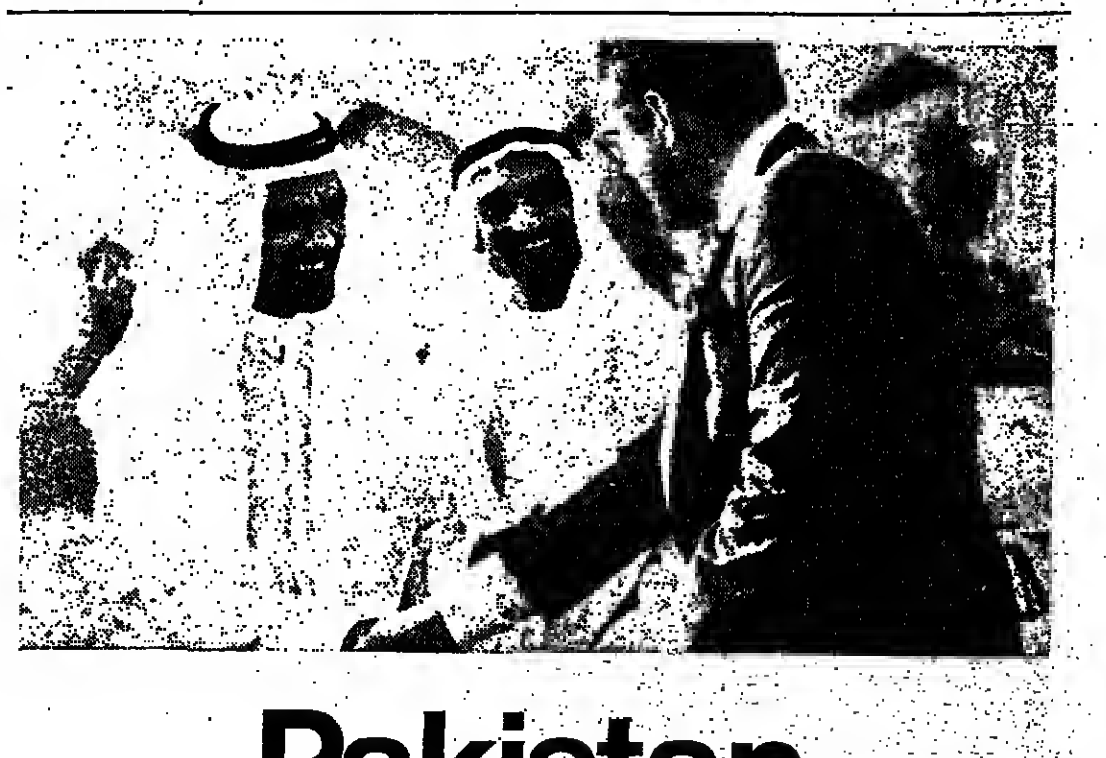

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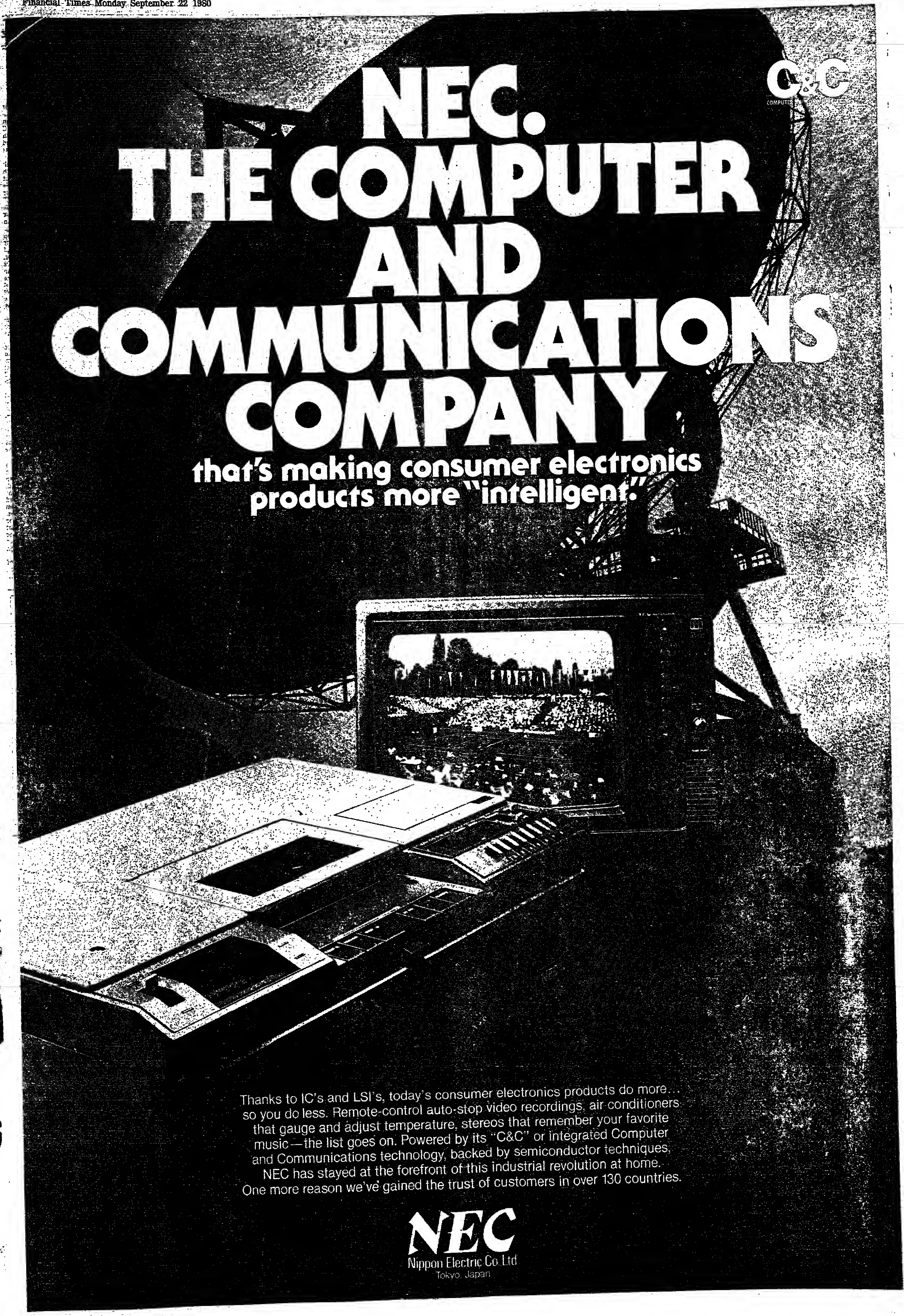
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LOMBARD

'Conservatives to re-elect Carter'

BY SAMUEL BRITTAN

WHAT WOULD American economists of free market and anti-big government persuasions say if a Democrat candidate for the U.S. Presidency were to promise a large increase in welfare spending, to be determined by so-called needs rather than costs? What would they say if he also favoured a large tax cut? And, if instead of being straightforward enough to argue for a larger Budget deficit, he relied on advisers who tried to show that the stimulus to demand would so boost the economy that the existing deficit would be eliminated? It is all too easy to imagine the denunciations which would thunder from the newspaper columns, the learned refutations from the think tanks and the hostile oratory from corporation presidents.

Yet one has only to substitute defence for welfare on the spending side and "supply stimulus" for demand stimulus in the apologetics provided by his advisers, and one has in a nutshell the programme of the U.S. Republican candidate Ronald Reagan.

By comparison President Carter is a fiscal conservative. After a very bad start when he presided over a Heath-type boom, Mr. Carter has now rejected most of the advice to spend his way out of the recession even in a Presidential year. He has fought against the Big Government philosophy of his own party and his own suggested tax cuts—which do little more than *offset inflation*—would result in a much smaller Budget deficit than Reagan's. Although the President may not be on Fed president Volcker's wavelength—the two are said to communicate mainly through the Press—it was Carter who appointed Volcker and who has backed him in his most difficult decisions.

Yet despite all this reticence there has been no "Committee of conservative economists to re-elect the President." (I am using conservative in the U.S. sense, much though I dislike the terminology.) No one in the economic debate has yet crossed the political floor.

The uncertain political leadership of Jimmy Carter is hardly sufficient pretext. The Reagan performance to date barely demonstrates a surer touch or better grasp of affairs. There may be some who are such strong foreign policy and defence hawks, and so anti-permissive in their general views, that they will support Reagan despite his domestic economic platform. But they must surely be balanced by others, especially within the academic community, who support free markets and the monetary approach to inflation, but who are most profoundly uneasy about Republican attitudes on libertarian or foreign policy issues or both.

There are a few people with a taste for miracles and panaceas, who believe the myths of "supply side economics"—which is not what its name suggests at all, but a label for cutting taxes and hoping for the best. The majority of the more thoughtful Republican bankers and economists, simply point however to the very large number of Reagan advisers and hope that the more sensible ones will prevail. To which I can only reply with Machiavelli: "When seeking advice of more than one person a prince who is not himself wise will never get unanimity in his councils or be able to reconcile their views. . . . So the conclusion is that good advice, whomever it comes from, depends on the shrewdness of the prince who seeks it, and not the shrewdness of the prince on good advice."

Admittedly, the Carter White House is not one where any kind of free market economist, whether libertarian or true conservative will feel at home.

There is also the point that if conservative economists all support Reagan or remain silent, this will not increase their own influence with a future Carter Administration; and I both believe and hope that Carter is going to win. This should not be a main point for someone strongly attracted to Reagan; but for those who are not it is worth bearing in mind.

When then are we going to read the manifesto of "conservative economists for Carter"? Probably not at all. But perhaps one or two individuals will give a lead. How about Professor Herbert Stein, a former chairman of the Republican Council of Economic Advisers, but who is also one of the economists most clearly disturbed by the Reagan fiscal approach?

The case of disappearing razor blades

THE WEEK IN THE COURTS

BY JUSTINIAN

EVERY CONTRACT for the shipment of goods is designed primarily to assign the risk-taking elements in commercial transactions to the parties, or rather to their insurers. Often such contracts extend the ambit of risks to other persons who are not signatories to the contractual document but who are at some stage involved in the performance of the commercial transaction.

In both instances the courts in any ensuing litigation are called upon to interpret the wishes of the parties as recorded in their written agreement in the light of commercial practice.

Where a shipper in a bill of lading had agreed to exempt the carrier, his servants *and any independent contractors* from liability in respect of the performance of the contract of carriage, the question arose whether the exemption was designed to cover the whole carriage from loading to discharge by whomsoever it was discharged. That depended on whether the stevedore that unloaded the cargo was acting as an independent contractor for the unloading. That, in turn, involved determining when the contract of carriage had been concluded.

These important issues in shipping law were considered by the Judicial Committee of the Privy Council in a case from Australia decided just before the summer vacation, *Port Jackson Stevedoring Pty. Ltd. v. Salmond and Spraggon (Australia) Pty. Ltd.*

Salmond and Spraggon had consigned to it 37 cartons of razor blades from Canada to Australia on the New York Star, a ship of the Blue Star Line. The relevant bill of lading was issued in Montreal; the port of loading was St. John, New Brunswick; and the port of discharge was Sydney. The shipper named in the bill of lading was Schick Safety Razor Company Division of Eversharp of Canada Ltd.: the bill of lading was issued to the consignor and was transmitted to and accepted by Salmond and Spraggon in Australia.

Port Jackson Stevedoring carried on business at the port of Sydney. It was owned, to 49 per cent of its capital, by Blue Star Line Australia Ltd., and it commonly acted as stevedore for that shipping line.

The New York Star arrived in Sydney in May 1970 and the packages of razor blades were discharged from the ship and placed by the stevedore in part of a shed on the wharf which was under the stevedore's control. Later the goods were stolen from the wharf, having been delivered by the stevedore's employees to persons who had no right to receive them.

When the consignee presented the bill of lading, the razor blades were unavailable for collection. The consignee brought an action against the stevedore alleging negligence for failing to take proper care of the goods.

Time bar

The bill of lading contained a "Himalaya clause," extending the benefit of defences and immunities conferred by the bill of lading upon the carrier to independent contractors employed by the carrier. The defences included a time bar barring any action if not brought within one year after the delivery of the goods or the date when the goods should have been delivered.

The consignee's action was not brought within the time limit prescribed, and so the stevedore relied upon both the "Himalaya clause" and the time bar as affording a defence to the action.

The consignee sought to get round this defence by asserting that, at the time when the loss occurred, the goods had been discharged and were no longer in the custody of the carrier. Consequently, the stevedore company was acting not as an independent contractor employed by the carrier to perform the carrier's obligations under the bill of lading. He was acting as a bailee who had received the goods from the carrier under a separate contract of bailment. Its liability in the capacity of a bailee was independent of, and not governed by, any of the clauses in the bill of lading.

This argument pointed up a distinction with an earlier Privy Council decision, *New Zealand Shipping Company Limited v. A. M. Satterthwaite and Company Limited*,* where the goods had been damaged *in the course of* discharge; in that case the capacity of the stevedore as a person acting on behalf of the carrier under the contract of carriage was not, nor could have been, contested.

The Privy Council examined in detail the precise wording of the relevant clauses in the bill of lading. It concluded that they had to be interpreted in the light of practice which was not inconsistent with the wording of the contract.

That practice indicated that consignees rarely take delivery of goods at the ship's rail, but normally collect them after some period of storage on or near the wharf. The parties to the bill of lading must, therefore, have contemplated that the carrier, if it did not store the goods itself, would employ some other person to do so. The documentation in the case in fact showed that the stevedore expected to be so employed. These practices explained and illuminated the somewhat prolix and intricate clauses in the bill of lading.

Protection

The primary sentence in the main clause created an obligation upon the consignees to take delivery of goods from the ship's rail at the moment that the ship was ready for discharge. This provision was a valuable protection for the carrier, upon which he might or might not insist.

The bill of lading clearly took account of both possibilities. Another clause provided that the carrier's responsibility *as a carrier* terminated as soon as the goods left the ship's tackle.

Since the carrier, however, might not insist on the carrier taking delivery at this point, the rest of the clause went on to recognise that the carrier might continue to have some responsibility for the goods after discharge. He could not just dump the goods on the wharf and leave them there. To suppose that that was what the parties contemplated would be to infer commercial unreality.

What would happen if the carrier acted as his own stevedore and stacked and stored the goods himself? The answer seemed to be that he would be liable for them under the contract of shipment.

If that was so, it seemed indisputable that if, instead of the carrier doing his own unloading, he employed a stevedore to do it for him, that person would be acting in the course of his employment, performing duties that otherwise the carrier would perform under the terms of the bill of lading. Thus the stevedore would be entitled to the same defences and immunities from liability as the carrier would have, since he had contracted for himself as well as for his independent contractors.

Thus the consignee was met with the defence that its action was out of time as against the stevedore, as it undoubtedly would have been against the carrier had the latter unloaded the cargo negligently.

*[1975] A.C. 154.

Season's first colts offer hope

RACING

BY DOMINIC WIGAN

FOR THE first time since early summer there are grounds for real hope that this season's first juvenile colts will prove a better lot than their counterparts of 1979.

Until a few weeks ago the top fillies, led by Tolmi, Marwell, Kittyhawk and Fairy Footsteps, looked a class above most of their contemporaries among the colts.

Now, at last, several two-year-old colts exuding undeniable class have arrived to join To-Agori-Mou as class prospects to be ranked alongside Ireland's precocious Storm Bird. Of these Shergar and to a less extent Gielgud are the ones I shall watch with most interest.

The first of this pair to run was Gielgud, who, in spite of looking in need of the run, impressed tremendously when he got up in the closing stages to win Doncaster's Laurent Perrier Champagne Stakes on September 10.

It seems significant that Gielgud, a Sir Ivor colt from Henry Cecil's 72-strong two-year-old team, is his trainer's sole entry for the Royal Lodge Stakes, a race Cecil's father in law, Sir Noel Murless, almost always earmarked for his most promising classic colt.

Although Gielgud prevailed by a neck only, and the same when accounting for Prince Echo and Church Parade in that $20,000 event on Town Moor, his time of fractionally under one minute 29 seconds was a particularly creditable one considering the going.

Shergar was asked to take on considerably less formidable opposition at Newbury on Friday. However, his effort disposing of a big field in a mile event won by Hebbit a year ago was even more impressive than that produced by Gielgud.

Sharp Edge, one of the most successful stallions of recent years, should be responsible for yet another winner or two today. His best prospect looks to be Fledge, a chestnut son of Flotsam, among the runners for Bath's Sherston Stakes.

Last time out this still-backward three-year-old sprung a 33-to-one surprise when holding Hit the Hammer over 1¼ miles in Goodwood's West Dean Stakes. He will appreciate the extra furlong here.

LEICESTER
3.15—Sospirae**
4.15—Latakia
4.55—Allegretta

BATH
2.30—Blythsmere*
3.30—Topsin
4.00—Royal Kingdom
4.30—Fledge***

TV/Radio

† Indicates programme in black and white

BBC 1

6.40-7.55 am Open University (Ultra high frequency only). 9.00 For Schools, Colleges. 11.25 You and Me. 11.40 For Schools, Colleges. 12.45 pm News. 1.00 Pebble Mill at One from Hong Kong. 1.45 Heads and Tails. 2.01 For Schools, Colleges. 3.15 Songs of Praise. 3.53 Regional News for England (except London). 3.55 Play School (as BBC-2 11.00 am). 4.20 Laurel and Hardy cartoon. 4.25 Seeing Stars. 4.40 Lassie. 5.05 John Craven's Newsround. 5.10 Blue Peter.
5.40 News.
5.55 Nationwide (London and South East only).
6.20 Nationwide.
6.55 Angels.
7.20 Star Trek.
8.10 Panorama. Should Britain Abandon Its Nuclear Weapons?
9.00 News.
9.25 The Monday Film: "The French Connection," starring Gene Hackman.
11.05 Film 80 with Barry Norman.
11.35 News Headlines.
11.37 Step This Way.

All Regions as BBC-1 except at the following times:—

BBC Cymru/Wales—1.45-2.00 pm Trodwt. 5.55-6.20 Wales Today. 6.55-7.20 Heddiw. 12.05 am News and Weather for Wales.

Scotland—11.00-11.20 am For Schools (Let's See All Sizes). 12.40-12.45 pm The Scottish News. 5.55-6.20 Reporting Scotland. 12.05 am News and Weather for Scotland.

Northern Ireland—3.53-3.55 pm Northern Ireland News. 5.55-6.20 Scene Around Six. 11.37 Boxing from Maysfield Leisure Centre Belfast: Heavyweight Championship of Great Britain (Final Eliminator). 12.07 am Step This Way. 12.32 News and Weather for Northern Ireland.

BBC 2

6.40 am-7.55 Open University.
11.00 Play School.
4.50 pm Open University.
6.55 "Petrushka," with music by Stravinsky.
7.15 Mid-evening News, including sub-titles.
7.25 Living On The Land.
7.50 Wainwrights' Law.
8.15 Shirley Bassey.
9.00 Rhoda.
9.25 Horizon.
10.15 The Brandenburg Concertos by J. S. Bach.
10.30 Cartoon Two.
10.45 Newsnight.
11.30 Heute Direkt.

LONDON

9.30 am Schools Programmes. 12.00 We'll Tell You A Story. 12.10 pm Rainbow. 12.30 Public Office. 1.00 News, plus FT Index. 1.20 Thames News. 1.30 Crown Court. 2.00 Against The Wind. †2.30 Monday Matinee: "Lust For Gold." 4.15 Kidnapped. 4.45 Clapperboard. 5.15 White Light.
5.45 News.
6.00 Thames News.
6.35 Crossroads.
7.00 Give Us A Clue.
7.30 Coronation Street.
8.00 Keep It In The Family.
8.30 Just Liz.
9.00 "California Split," starring George Segal and Elliott Gould.
10.00 News.
10.30 "California Split" (continued).
11.30 ITV's 25th Anniversary.
12.15 am Close "Sit Up And Listen" with Sandy Gall.

All IBA Regions as London except at the following times:—

ANGLIA

1.20 pm Anglia News. 2.00 About Britain. 2.30 Monday Film Matinee: "3.10 to Yuma" starring Glenn Ford. 5.15 The Brady Bunch. 6.00 About Anglia. 6.30 Survival. 12.15 am Reflection.

ANGLIA

1.20 pm ATV News. 2.00 About Britain. 2.30 Monday Matinee: "Two Thousand Women" starring Phyllis Calvert and Flora Robson. 5.15 Mr. and Mrs. 6.00 ATV Today. 12.15 am ATV News. 12.20 Something Different.

BORDER

1.20 pm Border News. 2.00 About Britain. 2.30 Monday Matinee: "Ten Tall Men" starring Burt Lancaster. 5.15 George Hamilton IV. 6.00 Lookaround Monday. 6.15 Mr. and Mrs. 6.45 The Squad Of . . . Pat O'Hara. 12.15 am Border News Summary.

CHANNEL

1.20 pm Channel Lunchtime News, What's On Where and weather. 2.00 About Britain. 2.30 Monday Matinee: "The Blue Lagoon." 5.15 Happy Days. 6.00 Channel News. 6.10 Elie Wiesel's Jerusalem. 10.28 Channel Late News. 12.10 am News and weather in French.

GRAMPIAN

9.25 am First Thing. 1.20 pm North News. 2.00 About Britain. 2.30 Monday Matinee: "Cardboard Cavalier" starring Sid Field and Margaret Lockwood. 5.15 Mr. and Mrs. 6.00 North Tonight. 6.35 Out of Town. 12.15 am Reflections. 12.20 North Headlines.

GRANADA

1.20 pm Granada Reports. 2.00 About Britain. 2.30 Monday Matinee: Barry Jones in "Seven Days to Noon." 5.15 Happy Days. 6.00 Granada Reports.

HTV

1.20 pm HTV News. 2.00 About Britain. 2.30 The Monday Matinee: "Make Me An Offer" starring Peter Finch. 5.15 Mr. and Mrs. 6.00 Report West.

HTV Cymru/Wales—As HTV West/HTV General Service except: 10.05-10.20 am About Wales. 10.40-11.00 The French Programme. 11.05-11.20 Am Gymro. 12.00-12.10 pm Trisaithau. 2.00-2.30 Hamdden. 4.45-5.15 Ser. 6.00 Y Dydd. 6.25-7.00 Report Wales.

SCOTTISH

1.20 pm News Headlines and road and weather report. 2.00 About Britain. 2.30 Monday Matinee: "The Fast Lady" starring Stanley Baxter and James Robertson Justice. 5.15 Mr. and Mrs. 6.00 Scotland Today. 6.40 Crimedesk. 12.15 am Late Call.

SOUTHERN

1.20 pm Southern News and weather. 2.00 Houseparty. 2.25 "The Power Within." 3.45 About Britain. 5.15 Diff'rent Strokes. 6.00 Day by Day.

TYNE TEES

9.20 am The Good Word. 9.25 North East News. 1.20 pm North East News and Lookaround. 2.00 About Britain. 2.30 Monday Matinee: "Don't Raise the Bridge, Lower the River" starring Jerry Lewis. 5.15 Terry-Thomas and Jerry Lewis. 6.00 The Adventures of Black Beauty. 6.00 North East News. 6.02 Double Top. 6.25 Northern Life. 12.15 am Learning the Hard Way.

ULSTER

1.20 pm Lunchtime. 2.30 Monday Matinee: "2,000 Women" starring Phyllis Calvert, Flora Robson and Patricia Roc. 4.13 Ulster News. 5.15 Mr. and Mrs. 6.00 Good Evening Ulster. 12.15 am Bedtime.

WESTWARD

1.20 pm Westward News Headlines. 2.00 About Britain. 2.30 The Monday Matinee: "The Blue Lagoon" starring Jean Simmons and Donald Houston. 4.12 Gus Honeybun's Birthdays. 5.15 Happy Days. 6.00 Westward Diary. 12.10 am Faith for Life. 12.15 am West Country weather, shipping forecast.

YORKSHIRE

1.20 pm Calendar News. 2.00 About Britain. 2.30 Monday Matinee: "Ten Tall Men" starring Burt Lancaster. 5.15 Mr. and Mrs. 6.00 Calendar (Emley Moor and Belmont editions). 9.35 Happy Days. 12.15 am The Jazz Series, hosted by George Chisholm and his Gentlemen of Jazz.

Radio Wavelengths

1 1053kHz/285m 1089kHz/275m
2 693kHz/433m 909kHz/330m & 88-91vhf stereo
3 1215kHz/247m & 90-92.5vhf stereo
4 200kHz/1500m & 92-95vhf
BBC Radio London 1458kHz, 206m & 94.9vhf
Capital Radio: 1548kHz, 194m & 95.8vhf
London Broadcasting: 1151kHz, 261m & 97.3vhf

RADIO 1

(S) Stereophonic broadcast ‡Medium Wave

5.00 am As Radio 2. 7.00 Dave Lee Travis. 9.00 Simon Bates with The Golden Hour (part 1). 10.32 Andy Peebles. 12.30 pm Newsbeat. 12.45 Paul Burnett. 2.32 Simon Bates with The Golden Hour (part 2). 3.32 Peter Powell. 5.31 Stayin' Alive. 7.31 Mike Read. 10.02-12.00 John Peel (S).

RADIO 2

5.00 am News Summary. 5.03 Steve Jones (S). 7.32 Terry Wogan (S). 10.03 Jimmy Young (S). 12.03 pm David Hamilton (S). 2.03 Ed Stewart's Request Show (S). 4.03 Much More Music with David Symonds (S). 8.03 John Dunn (S). 8.02 Folk on 2 (S). 9.02 Humphrey Lyttelton with the Best of Jazz on record (S). 9.55 Sports Desk. 10.02 Free Spin. 10.30 Star Sound. 11.02 Brian Matthew with Round Midnight, including 12.00 News. 2.02-5.00 am You and the Night and the Music (S).

RADIO 3

†6.55 am Weather. 7.00 News. 7.05 Overture (S). 8.00 News. 8.05 Morning Concert (S). 9.00 News. 9.05 This Week's Composer: Claude Debussy. 10.00 Scottish Chamber Orchestra concert, part 1 (S). 10.50 Interval Reading. 11.00 Concert, part 2. 11.45 Franz Schmidt chamber music (S). 1.00 pm News. 1.05 Now What Is Love? (S). 1.45 Matinee Musicale (S). 2.45 Fricker in Retrospect (S). 3.50 New Records of music by Verdi (S). 4.55 News. 5.00 Mainly for Pleasure (S) (& and mono only from 5.20). 7.00 Glenn Gould plays music by Bach (S). 7.10 A Brahms Concert (S) including 8.10-8.20 Interval Reading. 9.15 Liberated Theatre of Jan Werich and George Voskovec in Czechoslovakia in the 1930s. 10.05 The Complete Webern (S). 10.50 Round Tower Tales. 11.00 News. 11.05-11.15 Marcello (S).

VHF only—Open University—6.00-7.00 am and 6.30 pm and for students in Radio Scotland and Radio Cymru areas only: 12.00-1.00 am.

RADIO 4

6.00 am News Briefing. 6.10 Farming Week. 6.25 Shipping forecast. 6.30 Today, including 6.45 Prayer for the Day. 7.00, 8.00 Today's News. 7.30, 8.30 News headlines. 7.45 Thought for the Day. 8.35 The Week on 4. 8.45 "The Whistle of Chance" by H. G. Wells. 9.00 News. 9.05 Start the Week with Melvin Bragg. 10.00 News. 10.02 From Our Own Correspondent. 10.30 Daily Service (S). 10.45 Story Time. 11.00 News. 11.05 A Song of Childhood. 11.50 Poetry Please! 12.00 News. 12.02 pm You and Yours. 12.27 It Makes Me Laugh. 12.55 Weather; programme news. 1.00 The World at One. 1.40 The Archers. 1.55 Shipping forecast. 2.00 News. 2.02 Woman's Hour. 3.00 News. 3.02 Listen with Mother. 3.15 Afternoon Theatre. 4.45 Short Story. 5.00 PM: news magazine. 5.50 Shipping forecast. 5.55 Weather, programme news. 6.00 News. 6.30 Rumpole (S). 7.00 News. 7.05 The Archers. 7.20 Sport Now. 7.45 The Monday (S). 8.15 A Renaissance Education: Peter Calvocoressi recalls Eton in the 1920s. 8.30 Kaleidoscope. 9.59 Weather. 10.00 The World Tonight. 10.30 The Burkiss Way (S). 11.00 A Book at Bedtime. 11.15 The Financial World Tonight. 11.30 Music at Night. 12.00 News.

BBC Radio London

5.00 am As Radio 2. 6.30 Rush Hour. 10.03 The Robbie Vincent Telephone Programme. 1.03 pm London Live. 4.30 London News Desk. 5.35 Look, Stop, Listen. 7.03 Black Londoners. 8.00-5.00 am Join Radio 2.

London Broadcasting

5.00 am AM—Bob Holness and Douglas Cameron. 10.00 Brian Hayes. 1.00 pm LBC Reports. 8.00 pm After Eight Special (reports on vice and prostitution in London). 9.00 Mike Dickin—Nightline. 12.00 LBC Reports Midnight. 1.00 am Night Extra. 2.00 LBC Cinema. 3.00 After Eight Sunday (repeat). 5.00 Morning Music.

Capital Radio

6.00 am Mike Smith's Breakfast Show (S). 9.00 Michael Aspel (S). 12.00 Graham Dene (S). 3.00 pm Roger Scott (S). 7.00 London Today (S). 7.30 Your Mother Wouldn't Like It (S). 9.00 Alex "Flint" Freeman (S). 11.00 Tony Myatt's Late Show (S). 2.00 am Night Flight.

F.T. CROSSWORD PUZZLE No. 4,380

ACROSS
1 Drunkard left in a type of ale . . . (7)
5 . . . and acrobat using drinking vessel (7)
9 Go man! Go wrong in the thick of it (5)
10 Convict's taking tea in company (5-4)
11 Weapon for putting fibre into a group of sheep? (9)
12 Fist start of the item in a sports programme (5)
13 First of crampons given to member in ascent (5)
15 Purpose that's straining we hear (9)
18 Ancient British supreme chief and writer wearing female clothing (9)
19 Poor team-leader returning in a body of soldiers (5)
21 Ladder-like structure in opera-house (5)
23 Wound old lover or ostler (6-3)
25 Containing poison I caught in magazine (9)
26 Five with a word of pain guarantee to be true (5)
27 Non-resident bird in river (7)
28 One who laughs at German article about travel (7)

DOWN
1 Trade in vehicles (7)
2 A stipulation to supply with food (9)
3 Clue that's easy to settle (5)
4 Thinking it could be the bill (9)
5 A mark left to follow (5)
6 Vegetarian food costing £500 a head? (6-3)
7 Permission to resign (5)
8 Set straight but upset the ring (7)
14 Obstruct winner and baggier (9)
16 Having feelers put out for wine badly laced? (9)
17 Smooth, loose soft earth, that produces mark on fabric (4-5)
18 Spend time, a long time in lobby (7)
20 Move camera to the right for feline (7)
22 Something worth having when planted (5)
23 Ecuadorian currency for French sugar (5)
24 Left always in a bar (5)

The solution to last Saturday's prize puzzle will be published with names of winners next Saturday.

ENTERTAINMENT GUIDE

OPERA & BALLET

COLISEUM. S. 836 3181. CC. 240 5258. Grp. Bkgs. 836 2699. ENGLISH NATIONAL OPERA. Tomor & Fri 7.30: Count Ory. Wed & Sat 7.00: Cosi fan tutte. Thurs 7.30: Fidelio. 104 balcony seats avail from 10 am on day of perf.

THEATRES

NATIONAL THEATRE. S. 928 2252. OLIVIER (open stage): Ton't 7.30. Tomor 2.45 (low price mat) & 7.30 SISTERLY FEELINGS, new comedy by Alan Ayckbourn. (Ton't Abigail/Canvas. Tomor mat Abigail/Races eve 'chance' perf).

THEATRES

WESTMINSTER THEATRE. 01-834 0283. HUGH MANNING as C. S. Lewis in SONG OF THE LION. Opens Thursday 7 pm. Sub. evgs. 7.45 pm.

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THE ARTS

Architecture

A Sussex nunnery

by COLIN AMERY

There is an indefinable quality about certain buildings and certain streets and some small towns that makes them agreeable to be in and pleasing to the memory. This quality is usually described, for want of any other way of putting it, as a sense of place. Last week I was lucky enough to visit some new buildings that have already achieved a remarkable sense of belonging to their site while at the same time creating a calm and beautiful place.

This small group of buildings is situated on a lovely stretch of Sussex countryside with views of the Downs and fine mature trees. The buildings are a new priory for an order of nuns who decided to move from a large Victorian priory building in the centre of Haywards Heath. The architects, the Michael Blee, Whittaker Partnership, were asked by the sisters of the order to provide buildings that would accommodate a wide variety of pastoral activities as well as the more traditional cells, refectory, infirmary and chapel.

The layout of the buildings is simple and logical. The two realms, public and private, meet in a large entry hall or narthex which is approached from an entrance courtyard by a flight of planted steps. To the right of this meeting place is the private enclosed world of the religious curved around a circular pond and a group of trees. On the left are the more secular worlds of the guest rooms and large refectory for visitors. The two distinct functions of the buildings are brought together in the high, cone-shaped church.

The church is the most remarkable of all the buildings. It is a great tiled cone, reaching 70 feet high in a glade of tall trees. Linked to the church is a smaller pyramid-shaped chapel of the Blessed Sacrament topped by a monastery bell. The forms of these two buildings may sound rather simple and perhaps rather extreme for a rural site. In fact they work very successfully. The certainly would have been alien if they had been built in exposed concrete but the architect has used natural materials. Clay tiles cover the forms of the two buildings for worship, and elsewhere in the scheme stained joinery, black-stained structural timbers and warm red Dorking bricks help to create a warm, countrified atmosphere.

It is no accident that the architects are a local practice, familiar with the Sussex vernacular of low swept roofs, the oast house, and the pleasing mixture throughout the area of friendly brick and tile. Like the arts and crafts architects of the turn of the century Michael Blee and his partners have simply taken care to respect the traditions of the area, observe the materials and re-use traditional methods in a way that shows them to be still relevant.

The interior of the church feels much higher than you are led to believe from outside—it soars up into a blaze of light from the glass cone at the top and is lined throughout with plain timber. There are no frills—the altar and seating are disappointingly unresolved because of the temporary seating and large old organ that almost destroy the simple geometry of the interior.

In the rest of the monastery buildings furniture from the old priory fits perfectly well with the new architecture and provides a satisfying sense of continuity. The church building has been designed to reflect the post Vatican II sense of a shared liturgy and it was, I think a mistake to re-use old furnishings in these settings.

The modest two storey dwellings that curve around the lily filled pond are most attractive and evocative buildings. They are based in section on a series of interlocking and overlapping triangles. These are expressed in the form of steeply pitched roofs, cloisters below little sloping roofs and several great banks of tiles that resemble buttresses anchoring the whole place to the ground. Inside the simple blockwork and tiled floors manage to evoke the contradictory sensations of warmth and austerity.

I hope the nuns will feel that they have acquired a wonderful set of buildings that together with the life that goes on inside them will always promote a sense of harmony and well being. I was reminded of a set of farm buildings settled in the landscape but poised for a barvest of lasting quality.

*

I have been asked to mention that the contractors for the new stand at Goodwood that I wrote about in August were James Longley and Company and that they built it in 10 months.

Church of Our Lady's Priory is a dramatic shape in the Sussex landscape

ENO's successful subscription scheme

The English National Opera's first subscription scheme, launched earlier this year, brought in 5,000 subscribers who contributed £150,000 in ticket sales before the box office opened for the August-December season. The new booking season for 1981 offers more flexibility of choice to subscribers and also the opportunity to pay by instalments. The savings remain 30 per cent if customers book for nine operas and 20 per cent for five.

The ENO is to visit Nottingham in March rather than Manchester because the Palace Theatre in Manchester will not be ready. The four week season in Nottingham will include two new works, Monteverdi's *Orfeo* and Strauss's *Ariadne auf Naxos* which will later come to London.

New Theatre, Cardiff

The Servants

by RONALD CRICHTON

The fat crop of works by the composer William Mathias has not until now included a full-scale opera. Encouragement from Welsh National Opera and the Welsh Arts Council was nursed patiently until the right subject turned up. The spark was kindled by the chance hearing of a radio performance of Iris Murdoch's play *The Servants and the Snow*. The result, a three-act opera with libretto based on her play by the author, reached the stage last week during the present WNO season at Cardiff. *The Servants* offers stronger music-theatre than many new works hopefully commissioned by native companies. The libretto is full of interest and intelligence, the music is lively, apposite, not difficult.

Miss Murdoch has pared down the detail of her play, set in Central Europe about the turn of the century somewhere, one may imagine, between Haydn's Esterhaza and the lands of Strauss's Mandryka. A local tyrant landowner of the old type has died. His estranged son Basil comes from the city with his unconstrained, capricious wife Oriane to claim the estates. He finds the large staff of servants half-hopeful, half-apprehensive, but to his astonishment more bewildered by his well-meaning progressive ideas than fearful of a return to the old repressive ways.

Everyone has something to hide or knows things better hidden. Basil's ideas ("Let us not call ourselves master and man/But fellow-workers in a common plan") produce uneasy consternation. The old man was feared, hated, respected and obeyed. Basil, on the other hand, is vulnerable. Possible salvation of a dubious kind comes with the proposal of one of the servants, Peter Jack, to give his bride Marina (the former owner's mistress) to Basil for the wedding-night—a return to the custom of *droit de seigneur*, "an act of power, which could redeem both you and us." Events overtake them. At the wedding Basil is shot, not by one of the servants, not even by the young revolutionary Maxim, but by the aggrieved Oriane. At that moment her military brother arrives to instal a new, no doubt more severe, regime.

The music often strikes too slowly for the subject. There is animation, fluent orchestral brilliance (and for the scenes with the gipsy Patrice, some convincing Bartokian local colour). The instrumental writing is generally more rewarding than the vocal—dialogue is set stiffly and some of the features Mathias uses to underpin his score, ostinato figures, hammering sforzando chords and cushions of soft brass, are unhelpful to singers. Exceptions are a *boudoir* scene for Oriane and Marina, treated with Rousseilan elegance, the interview between Basil and Peter Jack and the touring duet for Basil and Marina. Here the music becomes genuinely if not very individually lyrical. There is some awkward reminiscence. Marina towards the end turns sister to Tippett's Sosostris and the echoing celesta takes one back to Grimes's hut.

On Friday Anthony Hose conducted what seemed a thoroughly secure performance—later he may be kinder to the singers without reducing the orchestral voltage. Nigel Douglas sings the difficult, all-important role of Basil with admirable skill, keeping one's sympathy while revealing that as layer after layer of do-goodery is painfully torn off the inherited ruthlessness begins to show. As the wife Oriane Eiddwen Harrhy's steely assurance shows a new facet in this gifted soprano's talent.

As Marina, improbably (not only was she the master's concubine but is hot for Basil and quite ready to run off with the gipsy) promoted to rural goddess-figure, Claire Powell sang the opera's most grateful role with quiet distinction, though the low notes are on the edge of her present range and physically she is too young and too slim. David Gwynne's kindly, endlessly accommodating priest and Philip Joll's gipsy are successes. Two other good company artists, Julian Moyle and Henry Newman, as retainers old (Hans Joseph) and young (Peter Jack) have found less inspiration from composer or producer. The Maxim of Timothy German, a promising young tenor, is too petulantly drawn.

Mathias has given the strong Welsh chorus plenty to sing though some of their music is rather drab. Patrick Robertson's revolving set is a notably successful piece of designing, though from stalls level the snow (which has symbolic as well as picturesque function) is too meagrely suggested. The costumes by Rosemary Vercoe firmly refuse operetta gaudiness (*Oriane* is skimpily clothed—no wonder she complained about the cold). The producer Adrian Slack makes full and effective use of the set but his direction of the principals does not always solve the problem of helping singers to find and hold attitudes of social embarrassment. A libretto is on sale. WNO's programme material is the best of any of our opera companies, but lay-out and type-faces need rethinking. Two of my neighbours, I noticed, had wisely brought outsize magnifying-glasses.

Alberto Remedios and John Dobson

Covent Garden

Siegfried

by ANDREW CLEMENTS

The first of the Royal Opera's two *Ring* cycles this autumn is much protracted. After *Rheingold* and *Walküre* on successive evenings, a week passed before Friday's *Siegfried*; now we must wait until next Saturday for *Götterdämmerung*. The need to preserve continuity for the audience may have been neglected, but such a production of strong visual and dramatic consistency has no trouble in re-establishing its world very quickly. The thoroughness of Götz Friedrich's approach, and its complementation in Josef Svoboda's designs, impresses more and more as the cycle proceeds, the few miscalculations are far outweighed by much that seems exactly right.

The focus of interest in this revival of *Siegfried* was very obviously in Alberto Remedios's singing of the Hero; not only his first appearance in the role at Covent Garden, but the first time anywhere that he had sung it in German. The character so familiar from the Coliseum *Ring* was good to see here; Mr. Remedios's relaxed, endearing Siegfried looked and moved well, though sometimes with circumspection when the stage began to carry him about. Most of the time it sounded well too. The patterns of the German text seemed occasionally to upset him, and whole lines were lost in a mash of disconnected syllables; the shapes of phrases also could be distorted by unexpected floods of tone. But Siegfried's remembrance of his father in the second act was most beautifully done, the delivery easy and always sweet-toned.

Donald McIntyre's Wanderer was a fitful portrayal, reticent to the point of inaudibility on his first appearance (not helped by his being placed so far up, and above, stage) and only gradually establishing himself in the battle of riddles with John Dobson's straightforward, lucid Mime. The argument between the two dwarves was conducted, for once, without a trace of arch vocal colouring: Dobson's Mime did not whine, nor Rolf Kühne's Alberich growl and the gain in immediacy was palpable.

Over Eliane Mary Hall's Woodbird a veil should be drawn; it could benefit from a study of the control that is central to the Brünnhilde of Berit Lindholm. After an unpromising opening to the opera, the first-act prelude, bumpy and uncertain of woodwind, Sir Colin Davis settled down to a sturdy, if mundane account of the score. Speed is evidently the order of this cycle and the woodland scenes especially suffered from thus being hustled along.

Wigmore Hall

Music Group of London

by PAUL DRIVER

The Music Group was a piano trio for Saturday's recital. Hugh Bean, Eileen Croxford and David Parkhouse delivered fine performances of Beethoven's op 1 no 2 (G major) and Mendelssohn's op 66 (C minor) trios, and an inspired one of that most inspired of oddities, Dvorak's *Dumkas* op 90.

The Beethoven work was proportioned with typically indemonstrative confidence. The expansive first movement with its Adagio introduction and surprise coda fell quietly and enthrallingly into shape. The Largo was seamlessly expressive, distinguished particularly by a rapt passage a third of the way through where the strings gave of a hushed pulsing imitative duet over truly luminous staccato repetitions in Mr. Parkhouse's right hand. The finale evoked considerable virtuosity from all the players, but especially Mr. Parkhouse.

Mendelssohn's C minor trio is an admirable attempt on the grand manner which manages not to go on too long and to keep just this side of portentousness: it even introduces a religiose chorale melody at the end of the last movement and makes of it something effective and charming. The scherzo is supposed to recall the style of the composer's exuberant teens; the Music Group executed it very nimbly, and one was not convinced.

After the orthodoxies of the preceding works, Dvorak's bold experiment in his E minor trio to construct a piece of classical chamber music out of a series of six *dumkas* or Ukranian folk dances (characterised by an alternation of fast and slow tempi and correspondingly contrasted emotions) was inspiriting. Folk elements have been incorporated into this piece with a daring—of harmony, rhythm and instrumentation—that unmistakeably augurs the outright assymetries and elisions of Janacek.

At the same time, the simple sequence is allowed to tally with a loosely-implied symphonic design: the first couple of dances comprise a first movement with slow introduction, the fourth is a march-cum-scherzo and so on. It is a striking success. One wondered what Brahms might have achieved had he afforded himself similar liberties. The players had fully mastered the music's abrupt phrasing and snappy rhythms, its improvisatory brilliance and use of arabesque. My only carps were over blemishes of intonation from Mr. Bean (his upper B naturals seemed to elude him) and over Miss Croxford's very slightly too succulent cello-playing.

Orange Tree, Richmond

Havel and Kohout

by B. A. YOUNG

It is really extraordinary how like one another Czech writers are, from Karel Capek and Jaroslav Hasek, to Vaclav Havel and Pavel Kohout in our own day. True, Havel's *Protest* and Kohout's *The Licence* were written to be played together, and share a leading character. But even though the two plays have been translated by different people (*Protest* by Vera Blackwell and *The Licence* by Peter Tegel), they seem like two acts in the same piece.

Protest (which has been seen before as a platform performance at the National) contains a single malleable situation. Successful man-about-town Stanek invites political victim Vanek, lately in gaol, to sign a petition for the release of the singer Javorek, who is not only in political disfavour but has made Stanek's daughter pregnant. Certainly, Vanek says, I already have an appeal ready, with 50 signatures on it. He lays it before his host, and Stanek sits for ten seconds with the point of his pen on the document before beginning to explain the reasons why it would be better if he didn't sign. . . .

In *The Licence*, Vanek wants official approval to breed from his dog, a rare Bohemian Growler. (We don't see the dog, which is part greyhound, part bloodhound and as invisible as Harvey, but Frank Moorey handles it like a real Mrs. Woodpecker.) There are four people in the office—an illiterate girl typist with a politically high-up father; the kind, obliging Mrs. Blascha; Mrs. Trubaczova, head of the department but scared of dogs; and a Mr. Czech, the kind of chap who writes letters to the papers putting everybody right. The argument is about getting a licence when there are so many reasons why one shouldn't be issued. Cf. Capek, *Twelve Figures in Fighting with Pens*, which as long ago as 1925 seems to have encapsulated Czechoslovakian political argument.)

Both plays are very funny. Robert McBain and Frank Moorey are Stanek and Vanek; Camille Davis, Auriol Smith and Ann Windsor fill up the cast in *The Licence*, and Geoffrey Beevers directs. Besides being funny, however, the plays are deeply sad in their need to expound the weakness of people who shelter behind oppressive regulations when they might be joining their imprisoned (Havel) and exile d(Kohout) countrymen who fight for human rights.

Savoy

Rattle of a Simple Man

Charles Dyer's odd little comedy gives Pauline Collins and John Alderton an opportunity for some good intimate playing, for they are virtually the only two characters in the play. Miss Collins, as the whore with an unhappy home life and a colourful imaginary life, gives as delightful a performance as she has given since *The Happy Apple*, which was a long time ago now but since which she seems hardly to have changed at all, I am glad to say. Mr. Alderton, as a soi-disant drunk from a football crowd, picks her up in a club but spends the whole evening finding reasons for not going to bed with her. Mr. Dyer has called him Percy; no doubt at the back of his mind there stirred Parsifal, the Perfect Fool.

Cyrenne, the tart, is visited briefly by her real life when her brother interrupts the duo to try to persuade her to give up whoring and go back to the slavery of the family restaurant. This is a curious incident which suggests that Mr. Dyer had reached the end of his confidence in keeping his audience interested in a twosome.

Apart from Percy's initial reluctance to enter Cyrenne's room (observantly designed by Tanya McCallin), there seems at first little reason why the pick-up shouldn't develop along conventional lines. Miss Collins is tripping about in her black undies in a moment. When nothing happens, she fills the void with chat about her father the brigadier, her romantic life at Oxford, where her father bought her an MA, the novel in 30 chapters that she wrote as a girl. Unhappily, Percy takes all this grandeur seriously.

Mr Alderton sometimes booms out his Mancunian accent a little powerfully for such a self-doubter; otherwise his uncertainty is genuinely pathetic, as pathetic as Cyrenne's confidence in her own so different course—*from which I think Mr. Dyer* once deflects her unfairly.

This is where, with every appearance of sincerity, she invites Percy to go for a holiday with her, though we may be sure, by the time the exposition of her character is complete, that such a proposal could not have stood up for ten minutes.

B. A. YOUNG

Trento

Prix Italia win for Thames TV

The presentation here yesterday of the Prix Italia for documentary programmes to Thames Television's *Creggan*, means that British broadcasters have yet again carried off two of this festival's three top awards. Made by Mary Holland and Michael Whyte, the programme shows how Northern Ireland's difficulties have affected the lives and attitudes of the Catholic community living on Londonderry's Creggan Estate.

London Weekend TV won the music prize for *A Time There Was* (reported here last week). Thus the ITV channel has once more pulled off the double which Britain has achieved three times in recent years. No other nation has managed the feat in the 32-year history of the event.

Furthermore Britain came within a hair's breadth of a clean sweep since the BBC's entry *On Giants' Shoulders* was runner-up in the drama category which had, it is generally agreed here, by far the highest standards.

The drama prize actually went to the Dutch entry *In For Treatment* which was concerned with terminal cancer patients.

Full festival report on Wednesday's Arts Page.

CHRIS DUNKLEY

Lloyd Webber musical inspired by T. S. Eliot

Composer Andrew Lloyd Webber's next project, due to open in London next April, will be a musical, *Cats*, inspired by poems of T. S. Eliot.

The production, in contrast to Lloyd Webber's other works such as *Evita* and *Jesus Christ Superstar*, will emphasise dancing. Choreography will be by Gillian Lynne and the director will be Trevor Nunn of the Royal Shakespeare Company.

Lyric writer Tim Rice, the other half of *Evita* and *JCS*, will not be collaborating in the production.

RUGBY BY PETER ROBBINS

Home countries face a full season

THE RUGBY season seems to get more crowded and commercial every year, and this season sees visits from New Zealand to celebrate the Welsh centenary, Romania to Ireland, and Zimbabwe, and Queensland to England.

Wales has an old score—or scores—to settle, and face the most arduous season of all four home countries. November 1, day of the Test match, should provide their best chance of erasing the memory of 1978, because New Zealand lost a Test series 1—2 to Australia this summer.

The New Zealand side contained many young players, and Mourie did not go. He is included in the trip this October.

Holmes and Davies will be sitting in for Wales who, with two Triple Crown matches at home, will start favourites for that title. Problems still exist on the wings but I should be most surprised if Wales do not win the championship after last year's comparatively modest season.

Ringer is back in favour and I very much hope he has learned his lesson, for he has a vital role to play for the side.

Ireland, so confident last year and ultimately so disappointing, will be without Pattison and full back O'Donnell, both badly injured in South Africa. So despite the talent of Irwin and Campbell it looks as though Ireland will look to the hard core of Duggan, Spring, Slattery, Gibson, Tucker and Orr.

Talents

Scotland will benefit from the Lions' experience of Tomes and young Beattie, but the pack still needs strengthening in the front row and much more speed in the back row.

Last year Scotland were quite unable to maximise the talents of Renwick and Johnstone and were handicapped by the lack of two thoroughbred wingers. The side played risk rugby which was very attractive at times but rather fanciful against the well-disciplined packs.

How pleasant for a change for England to face the season with justifiable confidence. Good news is expected of Cotton and Blakeway and the pack should again be the key factor in any success. Last year's Grand Slam has given the game a *great fillip* in England and Beaumont was the saviour England has waited 23 years for.

However, in the middle of all this euphoria, the RFU should look carefully at the nurseries. Success at international level is the ultimate goal, but how can England's rugby momentum be maintained in the face of so many other leisure diversions?

Sadly, many junior clubs feel that while techniques filter down and feed the grass roots there still exists two separate games—one for the major clubs and the other for the minor. While I advocated an elitist system, those clubs who rely on their reputation alone to attract new players do so at their peril.

One obvious problem area arises when boys leave school at 15 or 16 and find no way of fostering their interest in the game. The public and older grammar schools provide traditional outlets and some clubs have adopted junior clubs. But there is still a strong case for major clubs to do a lot more scouting, as in football.

In Wales, New Zealand and France the clubs provide those facilities with evident advantage.

Effort

It was interesting to note that last season, when England trained at Stourbridge, three thousand people including schoolboys turned up to watch. That effort boosted many people's interest, and I would like to see similar sessions in other areas to stimulate further interest.

It may take time and expense, but these days the players enjoy so many fringe benefits from the game that they'd do well to think of England's future and not just their own.

FOOTBALL BY TREVOR BAILEY

Sponsors: soccer's new supporters

IT WILL PROBABLY be a decade or more before one writes "Rank Xerox met Hitachi at the Dell" rather than Southampton Football Club, who are backed by Rank Xerox, drew 2—2 with Liverpool, sponsored by Hitachi But this change could be the eventual outcome.

Earlier this season Coventry Football Club wanted to combine with the Talbot name and were stopped by the Football League. Fans might have some difficulty in cheering-on a side called Rank Xerox because it does not run that smoothly off the tongue.

Every commercial sponsor needs to capitalise on his investment through maximum exposure in the media. This can be clearly seen in professional cricket which began to exploit this new and vital source of revenue more than 10 years ago, and could not now exist in its present form without it.

The fight for the Ashes has become the Cornhill Test series and the county championship, the Schweppes Championship. It is therefore likely that in the foreseeable future the FA Cup, the League Cup and the various leagues will eventually acquire commercial names—at a price.

Football, with its big gates, has largely stood out against the obvious monetary attraction of major sponsorships, but with mounting inflation, falling attendances, high wages and astronomical transfer fees it has inevitably *turned* to big commercial companies for rescue from financial disaster.

Rank Xerox is the latest company, and a British one, to sponsor English professional football. It has just signed a three-year contract with Southampton for an undisclosed sum, thought to be about £175,000. This gives the company four prime advertising sites around the pitch and entertainment facilities, while the team will wear the company's name on their shirts and track-suits for matches which are not televised.

If the television companies should decide to permit 7½-inch advertising on the shirts—and they do allow 20 ft advertising boards—the contract will plainly need to be renegotiated.

At the moment, indirect advertising on the television is an uncertain area. A sponsor wants to see his name on the screen and is prepared to pay the sport concerned, whether the name appears on a player's shirt, a motor car, a tennis post at Wimbledon, above the scoreboard at a cricket ground or running track, or at the 18th hole. In addition, individual performers wear and use an ever-increasing number of items with identifiable motifs.

On Saturday, Southampton were the better side in an exciting first-half. Their 2—1 lead, which would have been greater but for the agility of Clemence in goal, did not adequately reflect their superiority. They were appreciably sharper in mid-field and upfront, where Keegan, Channon and Bowyer provided some delightful touches. Liverpool, struggling in mid-field and under constant pressure at the back, were often reduced to long clearances.

However, although the Saints were impressive going forward, a niggling suspicion remained about their defence, which, after all, conceded seven goals against Watford in the League Cup. The way Souness was allowed to dribble forward and pick his spot did nothing to allay such apprehension.

After the interval, the Merseyside machine, though never in top gear, regained the initiative, as the home team seemed to run out of breath. They more than deserved their equaliser, following a beautifully judged run of the ball by Neal, which caught the defence square and vulnerable, shortly after he had failed to score a penalty.

In the second half Southampton did not look like a team lying second in the First Division. Their supporters, not forgetting their new sponsor, will be hoping that this was a temporary setback on a road to cess

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Palestinians and the IMF

THE International Monetary Fund, which holds its annual meeting in Washington next week, abhors controversy. It has for so long played a discreet behind-the-scenes role as the world's unofficial central bank that it has come to be widely accepted, in the developed world at least, as part of the international establishment—allowed, except in truly exceptional circumstances to get on with a job that involves treating countries in much the same way that a local British bank manager behaves towards his personal clients. It is, in that respect, an institution that fits reasonably comfortably into the Western way of life.

Third World

Recently, however, the Fund has begun to be caught in the backwash of the economic and political changes that will inevitably lead to the development of some kind of "new international economic order" in the last two decades of the Twentieth Century. Large numbers of Third World countries do not accept the kind of Western-orientated economic policy conditions that the Fund imposes before lending money. The oil producers in particular, and the developing world in general, feel that they have the right to a greater say in the running of the Fund, as well as all the other international institutions that have since the end of World War II been dominated by the Western industrialised countries led by the U.S.

These are totally legitimate issues for discussion. The international institutions that try to regulate the world's economic, monetary and commercial systems should adapt to changing circumstances and be capable of serving the best interests of all the countries that belong to them. In grappling with such problems, it is perfectly reasonable that other institutions, like the OECD, the GATT and the Bank for International Settlements—and indeed OPEC and UNCTAD—should attend Fund meetings, at least as observers, to examine possible reforms and improvements. Their presence should help to ensure the widest possible consensus on the way ahead.

It is totally unreasonable, on the other hand, that a nationalist freedom movement like the Palestine Liberation Organisation, should expect to play a part in this process. Its presence in Washington can only be divisive and it has no serious qualifications to justify its attendance—one might as well invite Plaid Cymru or the Eritrean Liberation Front. Yesterday it was still not certain whether the PLO would attend the meeting. But if it does, it will be to make a nakedly political point, riding on the back of hadly drafted rules of procedure to make an impact on the international scene. If at the same time President Carter is embarrassed by such a daring raid into his capital so soon before an election, so much the better in publicity terms for the PLO and their supporters.

If the West does not like it, however, it has largely itself to blame. In the first place, it has become increasingly obvious in recent months and years that the Arab backers of the PLO are going to do their utmost to secure the Orgaoisation's international recognition. Indeed, they made their first attempt to have the PLO invited as observers to last year's IMF meeting in Belgrade—a move which, in retrospect, was not taken as seriously as it should have been. One year later, the Fund seems to have been taken unawares. If the PLO and its supporters are offered such political coups virtually on a plate, it is hardly surprising if they gratefully accept them.

Middle East

Second, and more importantly, the fact that PLO representation in Washington has become an issue at all is a reflection of the continuing failure by the international community to solve the Palestinian problem. However inappropriate a Palestinian presence at the IMF may be, there remains a pressing need for a Middle East settlement that takes account of the Palestinians' legitimate grievances. There can, after all, be no lasting Middle East peace that does not do so.

Nor is the question purely symbolic in financial and monetary terms. The treatment accorded by the West to the PLO can influence important decisions by Arab countries on the deployment of their oil surpluses. It is not an issue that is going to go away as a result of procedural manoeuvring inside the Fund or any other international institution. All the same, the PLO affair should encourage the Fund to take a closer look at the rules that govern it—not least those defining the status of observers.

A market for risk capital

THE decision taken last week by the Stock Exchange Council to establish a new Unlisted Securities Market is an important and welcome departure. It will go some way to proving that the administration of the Stock Exchange is not as hidebound and unresponsive to modern economic realities as some of its detractors have suggested. More importantly, it should help to enhance the positive economic role of the Stock Exchange as a primary market for injection of new risk capital into industry and commerce.

Flexibility

Particularly encouraging as an indication of the Stock Exchange's willingness to adapt and innovate is the flexibility and pragmatism that the Council has shown in meeting the many criticisms provoked by its first draft proposals for the Unlisted Securities Market. Gone, in the new proposals approved by the Council, are the unrealistically high marketability requirements and the obligation on all companies using the market to move towards an eventual full listing. Under certain circumstances, participants will even be allowed to breach what many traditionalists in the Stock Exchange regard as its most sacred principle — the strict separation between market-making and broking.

Gone also, perhaps with less justification, is the insistence that all traded companies will need an expensive accountant's report to be introduced to the market. This may leave scope for abuses, although, in accordance with the Companies Acts, offers for sale will still have to be accompanied by official prospectuses including reports from accountants.

The general principle which the Council seems to have followed in revising its original, very restrictive, proposals for marketing unlisted shares, has been that entry into the new market should be as easy as possible, but that policing of companies once they have joined the market should be almost as strict as it is for those which enjoy full listing. This emphasis is entirely correct, since the main purpose of the new market must be to bring as many as possible of Britain's smaller, entrepreneur companies into public view so as to attract personal capital and to bridge the gulf between smaller companies equity needs and the investment preferences of risk-averse and occasionally narrow-minded investment institutions.

If experience of the new market suggests that further changes in the rules would be helpful in pulling in more businesses or in attracting more personal savings, the Council should continue to be flexible and pragmatic. For example, the rule which prevents brokers making a market if two or more jobbers are willing to do so, may deter provincial brokers who have close connections with local companies from bringing them to the market, or using to the full their placing ability in their own locality. The waiving of accounting requirements, on the other hand, may turn out to be something which does more harm in frightening off potential investors than good in simplifying procedures for new entrants to the market.

Regulated

Needless to say a market which is less tightly regulated than the main part of the stock exchange will throw up occasional scandals, and probably fairly frequent bankruptcies. However, by ensuring that the risks of the new market are clearly understood and that investors have to take care to look out for their own interests, the Stock Exchange should be able to avoid undue embarrassment. Certainly the fears in some quarters that irregularities in the unlisted market might damage the good name of the Stock Exchange generally should not be taken too seriously.

The current domination of the stock market by large investment institutions trading in huge blocks of shares in large companies, but providing relatively little in the way of risk capital for new investment in smaller companies, has done more to disillusion the public with the advantages of allocating capital through free markets than any number of entrepreneurial bankruptcies and even scandals. Anything that can be done to bring the small investor and the small company back into the centre of the economic stage is heartily welcome.

Drug smuggling starts to alter the economic map

Narcotics exports from parts of South America are now a major problem. A report from Sarita Kendall in Bogota, William Chislett in Mexico City and Hugh O'Shaughnessy in London.

AMID ALL the crises and instabilities of economic life in Latin America, sales of one kind of commodity are booming. Narcotics are now providing immense fortunes for some and transforming the economic prospects for hundreds of thousands of people who live in the Andean countries and in Mexico.

The billions of pounds which the trade generates are making obsolete and fallible all orthodox economic statistics which ignore drugs. In a word, marijuana and cocaine are changing the economic map of much of Latin America.

The spotlight has moved away from Mexico, once a major supplier of drugs to the U.S. Heroin and marijuana are still crossing the frontier in quantity, but Mexico has co-operated with the U.S. in a vigorous and partially successful campaign against the trade. It is now Colombia which is at the centre of the stage.

Coffee is Colombia's leading export (worth $1.6bn in 1978). Bolivia and Peru derive a high proportion of their export income from minerals. But these traditional foreign exchange earners are being eclipsed by drugs. This year's cocaine and marijuana earnings for the Andean countries of Colombia, Ecuador, Peru, Bolivia and Chile are estimated at about $5bn (£2.08bn).

In Colombia, at least, the economic impact of narcotics is the subject of lively discussion in banking, industrial and Government circles. The links between trafficking and political power are also increasingly out in the open, in Bolivia and Colombia.

The arithmetic of the drug trade is shaky at best, and production and consumption figures vary widely. But estimates from drug enforcement agencies in the U.S. and Latin America, as well as special studies carried out by international and local organisations, suggest that South America produces up to 200 tons of cocaine a year.

Bolivia grows the raw material—coca leaves—for just over half this total; Peru contributes about 60 to 70 tons; Colombia 20 tons; and Brazil between five and ten tons. About 10 per cent of production is picked up in narcotics raids, and another 10 per cent is probably lost during manufacture and transport.

Local consumption accounts for up to 8 per cent, and small amounts are shipped to minor consumers such as Japan and Australia. Canada and Europe—especially Italy—import about 40 tons of cocaine between them. The rest, a little more than 100 tons a year, is consumed in the U.S.

The U.S. is also the chief market for marijuana, and export production is concentrated mainly in Colombia. The most recent estimates of Colombia's National Association of Financial Institutions (ANIF) put marijuana earnings at about $2.5bn this year. U.S. statistics give Colombia as the source for 70 per cent of all marijuana imported to the U.S., and show that 70 per cent of cocaine imports are shipped via Colombia.

Studies suggest 200 tons yearly

This last figure is already outdated, as more and more Bolivian cocaine is being run through Argentina and Brazil, particularly since the July coup in Bolivia.

Indigenous groups in Bolivia, Peru and Colombia have traditionally grown coca for their own consumption, chewing wads of leaves to combat cold, hunger and fatigue. Evidence of the ceremonial use of coca goes back 5,000 years to the pre-Colombian civilisations on the Ecuadorean coast.

But the modern industrial process for manufacturing cocaine requires high-quality chemical supplies. Large laboratories tend to be located near cities, rather than in the isolated areas on the eastern slopes of the Andes where most coca is grown.

Coca plantations are typically small and labour-intensive, with production averaging 700 lb of leaves a hectare and coca brings in a much higher income than any alternative crop. The boom area is still the eastern Andes, where even orange trees are being cut down so that coca production can be expanded. But new plantations are spreading into the Amazon basin.

In Colombia a 100-hectare coca plantation was recently found in the Cauca region, and the security police reported 6,500 hectares in the eastern plains, near the Brazilian frontier.

The first relatively simple stage in the cocaine manufacturing process is usually carried out in the growing area, and 1 lb of crude base is produced from 250 lbs of leaves. Colombia is known for the excellent quality of its refining, and while increasing amounts of refined cocaine are produced in Bolivia and Peru, much is shipped in semi-processed form to the Colombian laboratories.

The price of 1 lb of cocaine in Bogota can be as low as $12,000, and by the time it is landed in the U.S. it sells for more than $30,000—compared with the $800 earned by the Bolivian grower for the coca leaves needed to produce it. Because of its high unit value, cocaine is transported in light planes and yachts, and is often carried by "mules" on regular airline flights or disguised among legal exports.

Marijuana, on the other hand, purchased at an average of $30,000 a ton, is shipped in bulk on large aircraft and cargo boats from the many clandestine airstrips and hidden coves along Colombia's Caribbean coast. A detailed study by ANIF in 1978 estimated that some 18,000 hectares are sown with marijuana in the Sierra Nevada de Santa Marta on the north coast of Colombia alone, and that 82 major exporters in this region were obtaining profits of $700m a year then.

With more than $3bn coming in from cocaine and marijuana exports as well as a sizeable trade in locally forged tranquillisers, the Colombian economy is the most affected by the narcotics business. But drug dollars are also pushing up the inflation rate in Bolivia and Peru, and prices of basic foodstuffs in growing areas have rocketed.

In both Bolivia and Colombia the black market exchange rate for the dollar falls below the official rate in key trafficking areas such as Santa Cruz in Bolivia and the Guajira, on the border of Colombia and Venezuela. Whole towns and villages on important routes have become rich overnight, with television aerials sprouting from shacks and large cars lining the gutters of unpaved streets.

The costs are high: ANIF estimates that the Colombian Government spends $100m a year on combating the drug trade, and that another $100m in bribes is paid out by traffickers to judges, local officials and army officers.

Businessmen and politicians rail at how easy money is destroying old values—from the case of the peasant who finds coca or marijuana production more profitable than growing coffee or maize, to that of the financier who earns a higher return in the clandestine credit market than investing in industrial projects.

The President of the National Industrialists Association of Colombia said last month that "investing in legal productive activities is bad business" when fraud, tax evasion and contraband have become a favourite national sport. The manager of the State Housing Institute recently pointed out that house prices are rising astronomically because hot money is being washed through the housing market. The Agrarian Bank's manager accused the small "mafia" of buying good agricultural land for the same reason, pushing up prices and affecting production.

Recognising the seriousness of the problem, President Julio Cesar Turbay has announced he was setting up a Ministerial Commission to investigate ill-gotten capital, especially that used in property speculation.

The efficacy of Colombian monetary measures to fight inflation is also much reduced by the flow of drug money, and attempts to control credit have sent interest rates on "underground" loans up to as much as 50 per cent.

These and non-economic arguments — such as the savage violence associated with organised criminal gangs involved in trafficking — have led many establishment figures in Colombia to believe the legalisation of marijuana is the only viable solution.

A few influential leaders in the principal producing countries have voiced the possibility of also legitimising cocaine production, reflecting a widespread resentment of the heavy costs of a wasteful and probably futile war on drugs used by millions of Americans, North and South.

ANIF has drawn up a legislative project to put marijuana production and trade under state control with exports taxed like any other, and even if Colombian congressmen vote against legalisation, the Parliamentary debate should ensure that the problem is at last confronted with due respect.

Bob Hutchison

Mexico used to be the main supplier of marijuana and heroin to the U.S. until a vigorous drug eradication campaign was started five years ago. But even in its heyday, illegal drug trafficking in Mexico did not reach anywhere near the proportions of the present situation in Colombia.

The U.S. Drug Enforcement Administration says 90 per cent of the heroin and marijuana seized in the U.S. in the mid-1970s could be traced to Mexico. Last year Mexico's distinct brown heroin accounted for about 35 per cent of seizures and Mexican marijuana less than 30 per cent of the U.S. marijuana market.

In 1975 about 9 tons of Mexican heroin found its way into the U.S. Last year the drug enforcement administration estimated that about 1.5 tons of heroin illegally entered the U.S. from Mexico. Based on a wholesale price of $54,500 a pound, the amount was worth $180m. (Mexico's merchandise exports last year totalled $8.5bn.)

Cocaine is not grown in Mexico but it is the route for some of the cocaine from Colombia, the major supplier, which goes to the U.S.

Mexico sprang up as an important marijuana and heroin centre in the late 1960s after the so-called French connection drug network, centred around Marseilles, was disrupted and after Turkey restricted the cultivation of opium poppies.

Culiacan, capital of the Pacific coast state of Sinaloa, where opium poppies are grown in the Sierra Madre, became a new Marseilles. Gang warfare erupted in the struggle for control of the multi-million dollar racket.

The Mexican and U.S. authorities decided to attack the problem at its roots in 1975. Fields of opium poppies, often high up in mountainous areas, were sprayed with herbicide from helicopters.

Since 1975, the U.S. has provided Mexico with equipment and assistance worth $70m, including helicopters and spotter aeroplanes. To help spot the tiniest fields, the U.S. recently supplied Mexico with a sophisticated remote-sensing system.

Britain has a somewhat tangential role in the Western Hemisphere narcotics trade in that some Commonwealth countries are involved in it. Marijuana is grown and used widely in Jamaica, and is seen to be at the bottom of the crime and political violence on the island. The outlying islands of the Bahamas archipelago are used as transit points for drugs going to the U.S. from South America.

Jamaica and the Bahamas as independent countries have the privilege and burden of dealing with traffickers themselves. Britain has a direct responsibility for tiny colonial territories such as the Turks and Caicos, a small, lightly populated archipelago north of Haiti, which has latterly become a favourite narcotics entrepot.

Blenching at the cost of policing this distant and remote territory, the Foreign and Commonwealth Office is seeking U.S. help to stamp out the trade. "There is no reason for the British taxpayer to pay the cost of stopping narcotics reaching the U.S.," one senior FCO figure remarked recently.

REPORTED EXPORTS OF ANDEAN COUNTRIES

BOLIVIA	$m
Exports	776.8
Tin	395.6
Crude Petroleum	44.0
Natural gas	105.0
Zinc	42.7
Antimony	29.6
Silver	58.3
Wolfram	35.1
Lead	18.0
CHILE	
Exports	3,763
Copper	1,800
Iron ore	110
COLOMBIA	
Exports	3,380.9
Coffee	2,018.1
Cotton	40.3
Sugar	45.5
Fuel oil	146.3

PERU	$m
Exports	3,588.6
Copper	697.5
Fishmeal	233.9
Iron ore	86.8
Cotton	53.4
Silver	239.1
Sugar	35.3
Zinc	171.6
Lead	287.1
Coffee	260.7
ECUADOR (1978 figures only)	
Exports	1,516
Crude petroleum	520
Bananas	194
Coffee	281
Cacao	50

N.B. All figures 1979 except for Bolivia. *Source: IMF International Statistics, August, 1980.*

MEN AND MATTERS

Wizard prang for Merlin

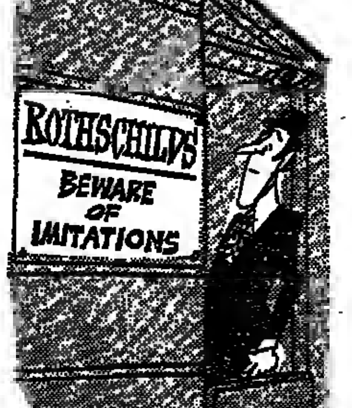
The trials of David Merlin Moreau have come to an end. Citing an office side memoire—"If at first you don't agree with me, try, try, try again"—which adorns a portrait of his former chairman, Walter Lorch, he tells me he has quit the managing directorship of the water treatment company, Elga Products.

"I spent eight years trying to agree with him and I finally failed," he admits. Arriving from the chair of Weddel Pharmaceuticals in 1972, he went to work with his management alchemy, toning up marketing and transmogrifying the management. The result, he boasts, was a 10-fold increase in turnover during his stay.

The autocratic Lorch, who started Elga in 1937 to make irons and coffee pots and moved into de-ionisation and osmotic water purification as a way of preventing "fur" from clogging up his products, was unwilling to enlarge on the split from his similarly strong-willed chief executive.

Moreau, meanwhile, claiming he is a victim of "mushroom management," is left blinking in the harsh light of day and pondering the slip which has left him stranded at the age of 52. Describing himself as an entrepreneur and "basically a writer," he admits he was unwise to resign recently from the non-executive chairmanship at Geddel.

"Like a harman," he reflects, "people like me should always have a hole in the wall to escape to when the glasses start flying."



Getting the bird

If your weekend chicken has the charisma of a damp dish cloth or a turkey is too big a challenge, fear not. Robin Pooley, the jolly managing director of Imps off-shoot Buxted, will shortly be swooping into your supermarket with a new bird specially "invented" to suit your taste and appetite.

Admitting (and I believed I would not live to hear it from so distinguished a source) that the chicken "has lost flavour," Pooley promises us an ornithological wonder the size of a chicken, the shape of a turkey, with the flavour of "an old-fashioned barnyard capon."

"It is not a product of genetic engineering," he crows. "It is not reared in a cage. It does not contain unnatural ingredients or chemicals."

Is it a Dodo?

Lost prop

Lord Grade can stop looking. But if there is anyone else out there who has laid eyes lately on the sculpted features of Ivor Novello, George Hoare, manager at the Theatre Royal, Drury Lane, will be delighted to hear from you.

Taken to task at last week's meeting of Associated Communications Corporation over the disappearance from its theatre of a bust of Novello, the ageless peer offered to rummage around to see if he had it at home.

The truth, Hoare tells me, is that the 21-inch-high bronze memorial was filched from the circle rotunda earlier this year. Given a face value by Sotheby's of £600, it is believed to have fallen victim to a kidnap "contract" taken out by an unscrupulous fan rather than scrap merchants.

Even though the insurers have met the theatre's claim, there is still a price on Novello's head and the person who helps track down the wandering Welshman can expect a handsome reward.

Hoare, meanwhile, is trying to discover the identity of the pseudonymous artist who sculpted the bust in the early 1950s. He hopes a casting can be made from the original, provided that has not gone walkies as well.

A la carte

Amid all the acrimony over public spending, it is soothing to come across a Government body that is not only taking less from the public purse but actually giving better services in return. The Ordnance Survey Department reports smugly that it is drawing £2.6m a year less from the Exchequer than five years ago.

Cutting costs, it must be admitted, has not proved difficult. Great savings have been made lately as the department nears the end of its mammoth post-war task of re-mapping the British Isles. OS surveyors are even now trailing their theodolites into the last 150 square kilometres of remote Yorkshire and East Anglia.

But far from resting on its cartographic laurels, the department has been particularly busy in the commercial market, and officials tell me that much of their cost-cutting success is due to their ceaseless attention to the needs of those who would be lost without them.

Map sales last year earned £4m. Catering for the insatiable demand from other Government agencies, the department has also mapped out new parliamentary boundaries for the politicians, unearthed tumuli for archaeologists, re-routed motorists and revised all our impressions of Roman Britain.

Minding the shop is plainly important, but field operators will also be kept busy — rather in the manner of those brave souls who paint the Forth Bridge — repairing and maintaining their great achievement.

And although one might imagine there are no secrets from today's sophisticated cartographers, there remain one or two mysteries to be cleared up. Who, for example, has pulled the plug out of the North Sea? That, it seems to me, is the only logical explanation for the "apparent anomaly of a north-to-south slope of the sea along the coast."

Nameless wonder

Logically, says Dr. Stephen Castell, the Stock Exchange should call its new baby The London Stock Exchange Over the Counter Market. Responding to my appeal for a better-fitting handle than the uncomfortable Unlisted Securities Market, this helpful information technology consultant also favours the euphonious and nicely ambiguous HIRISE (High Risk Stock Exchange).

His "spicey but dicey Under the Counter Market" might have an outside chance of finding favour, but Stock Exchange Bucket Shop, I regret, has no chance at all.

Grave outlook

Brum graffito: "The economy is at death's door—but the unions will pull it through."

Observer

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FINANCIAL TIMES SURVEY
Monday, September 22, 1980

Arab Banking and Finance

The oil price increases over the past two years mean that the Arab producers expect to acquire surplus revenues likely to run into hundreds of billions of dollars. To absorb this huge wealth is a challenging task for both Arab and Western financial institutions.

World problem to be shared

By Richard Johns
Middle East Editor

THE WORLD is increasingly preoccupied with the problem of recycling the unprecedented surplus of members of the Organisation of Petroleum Exporting Countries (OPEC)—variously estimated for 1980 at between $100bn and $120bn. The money in question is predominantly Arab, with all the international political complications that implies. The seven Arab members of OPEC are likely to account for over 80 per cent of the 1980 surplus, a considerably bigger proportion than their share of collective output. Of the total of up to $120bn expected by Chase Manhattan Bank to be accumulated by them the proportions by country are very uneven, ranging from Sandi Arabia with $40bn through Iraq ($19.6bn), Kuwait ($16bn), UAE ($12.2bn), Libya ($9.1bn) to Qatar with $3.2bn.

The scene is almost one of deja vu—on a larger scale. Six years ago Dr. Johannes Witteveen, then managing director of the International Monetary Fund (IMF) toured the oil-producing countries of the Middle East in hopeful search of funds for a special facility to cushion the consuming countries, industrialised and developing, from the effect of dramatically increased oil prices. Earlier this summer his successor, M. Jacques de Larosiere, embarked on a similar mission — but in an atmosphere of even greater uncertainty.

From October 1973 to the end of 1974 the average cost of a barrel of oil rose by about 350 per cent. In the course of the disorderly escalatioo from the end of 1978 to mid-1980 the increase amounted to 130 per cent. Dr. Witteveen had a mixed response to his fund-raising venture. But the international banking system proved resilient and resourceful in recycling a surplus of nearly $60bn in 1974 — about two-thirds of which accrued to Arab members of OPEC.

Further marginal price increases followed until mid-1977 but by the end of 1978 there bad been a substantial fall in the real value of per barrel revenues. OPEC's net current surplus in 1978 bad fallen to about $5bn — when even Saudi Arabia recorded a deficit.

In the wake of the Iranian revolution the surplus leapt last year to nearly $70bn. According to the calculations of the Arab producers, their nominal receipts rose by 56 per ceot in 1979 bnt purchasing power in that year was no greater than in 1974. Independent analysts agree that they did not gain a real increase until this year.

The commercial banks played a major part in the management of these surpluses. Morgan Guaranty estimated that their lending rose from about $170bn at the end of 1973 to $640bn at the end of 1979. The amount advanced to non-oil developing countries then amounted to about $270bn.

Yet the scale of the indebtedness of the non-oil developing countries is one reason for justified apprehensions about the ability of the international banking system to bandle the surplus. A aecond is the proportion of their foreign exchange earnings accounted for by higber prices. A third is the extent of the banks' commitments to the Third World. A fourth is the fact that a larger proportion of the oil producers' assets are flowing into the short-term Euro-currency markets in response to higher interest rates. Above all, there is the expansion of the accumulated surplus in absolute and real terms. A figure of $350bo by the end of 1980 is generally accepted.

Concentrated

Nearly 80 per cent of it would be conceotrated in the hands of Saudi Arabia, Kuwait, Iraq, the United Arab Emirates (UAE) and Libya. Only two of them, Kuwait and the UAE, have an avowed and deliberate policy of building up foreign assets as a means of providing an alternative source of income.

The surplus producers surprised the pessimists with their ability to absorb as much revenue as they did in the 1974-76 period. They could at least prove predictions exaggerated. In 1981 a fall in the annual surplus is anticipated. Chase Manhattan, for instance, estimatea a fall from $112bn in 1980 to $85bn next year. These calculations, however, do not take into account one important factor in the equation — the growing pre-occupation with resources conservation. The producers, individually or collectively, could raise prices disproportionately by cutting production, thereby compounding the economic ills of the world.

Arab surplus countries bave been reluctant to recognise the risks in the enormous liabilities undertaken by the international banking system in recycling an even greater volume of unspent petrodollars. They are inclined to see the debate over the question as a way of shifting the blame for the rising indebtedoess of the developing countries on to the producing States themselves.

Meanwbile, the surplus producers bave directed only a small proportion of their unspent funds to the developing countries in the form of aid and investment. According to the Bank of England's figures, the flow to them together with the IMF and the World Bank amounted between 1974 and 1979 to less than 20 per cent of the total $236bn. By contrast, surplus funds channelled into bank deposits had accumulated to $115bn, of which $89bn were in Eurocurreocies.

Spiralling

As if the problem of recycling were not big enough in itself, it bas now been complicated by the intrusion of the Arab-Israeli conflict. The IMF's plan is to raise some $25bn from the oil-producing States over the next three years in the form of special drawiog rigbts to help the oil-importing developing countries to meet their spiralling balance of payments deficits that are estimated at $70bn.

When M. Larosiere toured Saudi Arabia, Kuwait, and the UAE be found that the initial response was encouraging. Then out of the blue came the issue of representation of the Palestine Liberation Orgaoisation (PLO)—whicb cropped up at the IMF's annual meeting in Belgrade last year but this year bas become far more serious.

Saudi Arabia, Knwait, and the UAE bave now said that they will withbold funds from both the IMF and the World Bank until the question of the PLO's attendance is settled to the Arabs' satisfaction. In turn, Congressional approval for U.S. funds could be jeopardised. The IMF is now considering a bond issue or a syndicated bank loan on the Euromarket. If it were to do so, the absurdity of the situation would be that it would be borrowing from the Arab oil produeers by a circuitous route.

Left to itself Saudi Arabia would certainly want to co-operate. But it is interesting to recall that in 1974 Kuwait gave Dr. Witteveen the cold shoulder. Mr. Abdel-Rahman al Attiqi, Minister of Finance, said: "We will not accept instructions from anyone how to use our money."

His comment tersely summed up the Arab preference for bilateral aid. The bald statistics of total Arab aid do not reflect the large proportion going to the "confrootatioo States"—though Egypt is now excluded. For their part Western commentators do not wholly appreciate the fact that the concentration of aid is explained and — in the countries' eyes jnstified—by the Arab States' real sense of wider national identity.

Arab surplus States reacted with alarm and condemnation to the freezing by the U.S. of Iranian funds beld in American banks. The retaliation against the seizure and captivity of the diplomatic bostages in Tehran brought to the surface a latent apprehension that similar action could be taken against the Arabs in the event of an oil embargo against the U.S. on account of its support for Israel. The unease—justified or otherwise—is all the greater because the American market is considered, by and large, the best for long-term investment and affords bigger opportunities in equities and corporate bonds than the rest of the world.

Responsible

Undoubtedly the freezing by the U.S. of Iranian assets was partly, if mainly, responsible for the drop in identified inflows from OPEC members to $3.1bn compared with $4bn in the previous quarter and a rise of those into sterling from £400m to £1.8bn. There was also a rise in their deposits of foreign currency in the London market from $3.5bn to $4.5bn.

One result of the Iranian crisis has been the increased use of trustee accounts in Switzerland and of faceless intermediaries. It may also account for the proliferation in the Caribbean. The encouragement given by the authorities in Bonn to the purchase of bonds and placement of official funds has helped diversification. Even more dramatic has been the flood of money ioto Japao. In the second quarter alooe the inflow of State deposits at the equivalent of $5bn in the second quarter of this year alone. The flow bas been swollen even further by the money of private Arab investors.

Arab institutions in the past few years are asserting themselves more strongly than ever in handling and investing both State surpluses and private Arab wealth, an activity originally pioneered by Kuwait. The potential can be seen from the manner in which the Arab Banking Corporation—which is owned by the Governments of Kuwait, Libya and the UAE—amassed total billings of $1.1bn in the first three months of its operations.

Yet there is little sign of wbat might be termed an Arab regional capital market emerging. Bahrain's system of offsbore banking units has flourisbed and curreotly commands assets of over $31bn. However, the hope originally was tbat it would capture petrodollar surpluses. Having failed to do so, it bas succeeded as an international rather than a regional centre.

Security of investments, abolition of impediments to them in the industrialised world and the question of the erosion of their value figure prominently in OPEC's long-term strategy report. So, too, does the demand for greater representation on the governing bodies of the IMF and World Bank. On this front the Arab oil producers appear to bave the bargaining strength to press their demands strongly. Critical though the question of Palestine is, it is inappropriate that they sbould have felt forced to introduce it in their campaign for institutional power and special treatment for their funds in what is—and must remain—an apolitical field.

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Concept

Disposal of oil riches: Saudi Arabia's line

IN 1980-81, as in 1974-75, the Arab oil producers may well surprise the world and themselves by their ability to absorb a bigger proportion of their surplus revenues than most professional pundits expect. In real terms the foreign assets of some $100bn they are likely to accumulate in the course of this year may not be substantially greater than unspent earnings six years ago. But the challenge facing State institutions deploying the funds is greater in degree and very much more confusing.

Earlier this month a meeting of Islamic and Arab bankers in Doha, Qatar, called on the U.S. to reverse the decision taken last November to freeze Iranian assets held in American banks following the seizure of the hostages. Confidence has still not recovered from the blocking of funds held in the largest national system in the world, with relatively even bigger international ramifications.

Thus attempts to diversify into currencies other than the dollar and direct deposits away from the American institutions have been intensified. At the same time there are doubts about the international banking system's ability to handle the increase that are matched with uncertainty about the acceptability of the role of the World Bank and the International *Monetary Fund (IMF)* in the recycling operation because of the Palestine Liberation Organisation issue.

Political considerations apart, the Arab surplus States still complain about three related facts of life about the international financial system. The dollar is as predominant as ever in world trade—there is a limit to other currencies or instruments denominated in them in which they can invest. For the same reason the dollar is not only the unit of account for oil prices but for the most part the main means of payment for the commodity. The health of the dollar and the fluctuations in its value are still a cause of grievance.

Sheikh Ahmed Abdelatif, Deputy Governor of the Saudi Arabian Monetary Agency (SAMA), recently said: "Once OPEC countries have accumulated sufficient assets to satisfy their perceived needs for official reserves, the balance represents, in terms of their domestic economies, the over-production of oil." The Government has never given any indication as to the volume of funds that it considers necessary to keep in hand.

It was sufficiently alarmed about the rate of disbursements in 1978 and 1979 to have been relieved about the financial surplus that it was able to draw on. One transfer from the reserves in the autumn of 1979 prompted Sheikh Mohammed Aba al-Khail, the Saudi Minister of Finance, to take the opportunity to say: "We are only investors on a temporary basis." It seemed to prove the Saudi contention, maintained since the 1973-74 price explosion, that it could absorb all its revenues. Following the 1979-80 explosion and the policy of curbing inflation through restraints on spending, the argument has become less convincing. Highlighting the dilemma, Sheikh Aba al-Khail commented earlier this year: "The maintenance of a large surplus is not consistent with our economic policies."

At present the Kingdom accounts for about a third of the overall OPEC surplus and its share seems destined to rise regardless of its production policy. It remains a cautious and reluctant investor—almost embarrassed by its riches. About four years ago the International Monetary Fund ceased publishing statistics reflecting the full extent of its liquidity. In this respect Saudi Arabia is no different from Kuwait, the United Arab Emirates, Qatar, Iraq and Libya. SAMA's definition of its liquidity is kept secret—like most of its operations. Traditionally it tended to keep money on short-term deposit.

Motivated

Saudi Arabia's moderate stand on oil pricing within the Organisation of Petroleum Exporting Countries (OPEC) has been motivated in part by considerations about the value of its foreign assets, the bulk of which are in dollar instruments. Producing more oil than required for its own immediate budgetary needs Saudi Arabia rapidly accumulated reserves which rose from some $4.6bn at the beginning of 1974 to nearly $60bn by mid-1977.

Over the two fiscal years ending in May of last year the Kingdom actually recorded slight fiscal deficits, the equivalent of $2.1bn and $4.3bn. But with the escalation of oil prices since then, a high level of production and restraints on domestic expenditure, Saudi Arabia may well add another $50-55bn to its net foreign assets by the end of this year bringing them to as much as $100-120bn, and generating interest of $11-12bn in 1980.

Last year Mr. Abdel-Aziz Quraishi, Governor of SAMA, explained SAMA's preference for investments at the shorter end of the range of available maturities. He said: "Since our fundamental commitment is to the accelerated development of our country and since the absorptive capacity of our economy has been increasing rapidly, we will need an increasing amount of resources for investment within the country. Hence we do not wish to commit our foreign exchange reserves for very long periods." Yet with an accumulated surplus in prospect of one and a half times this year's budget, which is the equivalent of about $75bn, it must now be thinking in terms of increasing the proportion being placed long-term—if only for the sake of world monetary stability.

The IMF does, however, record the foreign assets under the control of SAMA. The most recent figure published was 225.58bn Saudi riyals for April 1980, or the equivalent of $67.84bn, which would appear to understate the total. It includes a number of items that could not be described as reserves, such as contributions to the IMF and the World Bank, and direct loans to other Arab or Third World countries.

A substantial part of the total is also committed, to the currency cover, letters of credit already opened by the Government, the Pension Fund, the Social Security Organisation and a number of other autonomous bodies such as the Saudi Arabian Basic Industries Corporation, which is committed to very large expenditure on refineries, petrochemical plants and other projects. Such money is regarded as "expenditure deferred"—as indeed the whole accumulated surplus.

Sandi Arabia has shown itself as responsible in its investment policy as it has in its approach towards oil pricing, particularly by refusing to contemplate switching its funds in response to currency fluctuations and changes in interest rates. Last November it looked askance at the freezing of Iranian assets. But recently *Sheikh Aba al Khail expressed* confidence that Arah funds placed in American banks would not be frozen by the U.S. Government.

Diversifying

The intention is to keep the majority of reserves in *dollars* because of the currency's role in oil payments and international trade. Nevertheless, Sheikh Quraishi acknowledged in a recent interview that Sandi Arahia was "conscious of the need of diversifying our currency within manageable limits."

Hence the Saudi Government has welcomed the relaxation on restrictions on foreign investment in tha domestic capital markets of Japan and West Germany, as well as the Swiss move to attract official deposits *in Swiss francs*. In *the spring* of this year SAMA agreed to purchase bonds worth Y50bn (about $200m) monthly for the indefinite future. Held on account with the Bank of Tokyo, they are to he guaranteed by the Bank of Japan. The yield of just under 9 per cent is only modest but taking advantage of the weak market SAMA was ahle to buy them cbeap.

Also publicised has heen the 200m Deutsche Mark portion of the DM facility raised by the World Bank earlier this summer. Despite its present stance over the question of representation of the Palestine Liberation Organisation at meetings of the IMF and World Bank Saudi Arabia has shown a willingness to participate in the efforts of the two world bodies to recycle petrodollar surpluses.

The probability is that the proportion of Saudi assets held in the form of dollar deposits or instruments is still in the region of 80 per cent—but with rather less than half invested in the U.S. The split between deposits and securities of one kind or another is probably about equal—with a halance held in currencies. Deposits are made through banks approved by SAMA. In 1972 they numbered only 10; the total is now over 60.

However, most purchases of fixed interest securities are made directly by SAMA. Until a few years ago it bonght only bonds issued by governments *and quasi State organisations* under official guarantee. More recently it has taken — even sought—private issues, most of them from blue-chip U.S. corporations. It has apparently been taking up such placements at a faster rate this year. Amongst the identified ones are the bonds of the American Telephone and Telegraph Company, IBM, General Motors, U.S. Steel and Dallas Power and Light. It employs a number of portfolio managers—perhaps as many as a dozen. SAMA *has moved* discreetly into American equities but avoided acquiring more than 5 per ceot of the stock of any one company.

Sandi Arabia has expressed its intention of channelling more capital funds into joint Arah development projects. But like Knwait which has long paid lip-service to the ideal and gone some way towards *fulfilling* it, it has pointed to the restrictions on the flow of capital within the Arah world and the difficulties in identifying viahle, profitable projects. Sheikh Aha al-Khail has also pointed to the low absorptive capacity of many Arab countries.

Richard Johns

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Policy of Kuwait and the other OPEC members

FOR NEARLY three decades Kuwait bas pursued a policy of building up its reserves to provide an alteroative source of income. In the past it bas been sensitive about the size of its accumulated assets because of the demands that migbt be placed opoo it.

However, in presenting the State's 1980-81 budget last month, Mr. Abdel-Rahman al Attiqi, the Finance Minister, gave ao exact figure for Kuwait's fioancial reserves at the end of 1979, revealing that they bad risen by nearly 40 per cent in the 30 years to 12bn Kuwaitii dinars ($47bn). He said that 66.1 per ceot of the total was invested in the U.S. and Enrope, 27.6 per cent in Kuwait itself and 5.2 per cent in otber Arab countries including Japan and the continent of Africa.

As with Saudi Arabia, part of Kuwait's total assets is not primarily geared to income generation or capital growth. Among them are World Bank bonds and contributions to the IMF, deposits with Central Banks like the $1bn placed with Egypt and now effectively blocked, and subscriptions to aid funds such as the K$1m ($3.41bn) capital of its own. There is also tha Government's stake in pan-Arab projects and Kuwaiti companies or institutions. At the end of 1974 these accounted for 65 par cent of reserves, according to an official calculation but now their sbare probably accounts for less than 20 per cent.

Such investments are included in the General Resarve rather than tbe Reserve Fund for *Future Generations*. The latter was set up in 1976 and identified as the State's "pension fund." By law no less than 10 per cent of State revenue is diverted to the fund and nothing is to be drawn from it until the next century. At the heginning of this year 50 per cent of the State's *foreign assets* were to be placed in it.

As the world's leadiog *rentier* State Kuwait predictably reacted with more borror and alarm to the U.S. freezing of Iranian assets than any other Arah oil producer. Yet Kuwaiti officials are as aware as any that the American market provides not only the best long-term growth potential and prospects of political stability hut also 60 per cent of available equities and almost as big a proportion of fixed instruments. Notwithstanding the vicissitudes of the dollar Kuwait also realises that in the last resort it is the strongest currency because of the size and relative self-sufficiency of the American economy.

On behalf of Kuwait several leading banks manage portfolios of equities and property in the U.S., where yields and appreciation are reckoned to he the best in the world. Apart from the Ministry of Finance acting througb intermediaries the Kuwait Investment Company, 50 per cent State-owned, bas made investments including tbe purchase of Kiawah Island off North Carolina for conversion into a luxury resort. That provoked some local opposition.

Following Kuwait's first spectacular purcbases in 1974, the acquisition of St. Martin's Property Corporation and its 25 per cent interest in Daimler Benz, policy was until recently to keep a low profile, though it subsequently gained a suhstantial share in the French shipyard La Ciotat, and its stake in Korf Stahl of West Germany.

Now the scale of the money involved and the nature of Kuwait's investment strategy bas made sucb discretion impossibla. That aceounts for the unabashed boldness sbown this year in its transactions—most noteably the abortive bid for a 15 per cent stake in Getty Oil. Its failure also served to empbasise the constraints to investment by the oil prodncers ahout whicb both Kuwait and Saudi Arabia are currently grumbling.

Institution

Similar aggression on a smaller scale waa shown in its successful fight to take control of Hay's Wharf of the UK. Another headline-catching move was its purchase of a 10.25 per cent sbare of the Savoy Hotel—arguably a *British national* institution.

The Kuwait Investment Office has heen operating from its base in Cheapside, London, since 1962. Only the introduction of regulations requiring that holding of more than 10 per cent and then 5 per cent be disclosed *revealed* the extent of Kuwaiti ownership of British companies, as well as its partiality for the insurance business. It now has identifiahle investmenta of nearly £200m in the UK. The total could well be in the region of £1bn.

Quite apart from its London *investmeot* arm Kuwait has banks — two or threa in most of them — in West Germany, Switzerland, France, the Netherlands, Belgium and Japan. On the European front it acquired 10 per cent of Metallgesellschaft, the Frank*furt-based metals, process* plant engineering and metals group. Further diversification in France can be expected with tbe blessing of President Giscard d'Estaing's Government. Kuwait has been particularly active in Japan where it is reckoned to account for most of the estimated $1hn worth of shares owned by Arab oil-producing States. Its most recent well-publicised diversification was the purchase of 10 per cent of Volkswagen's Brazilian subsidiary.

Kuwait is turning its attention increasingly to raw materials, especially in agricultural development and the exploitation of minerals. As yet its only big involvements are with the Kenana sugar project in Sudan and a joint venture with Mauretania to help fulfill that country's potential for producing iron-ore and phospbates.

Maximum investment in the Arab world remains Kuwait's ideal. In this respect, apart from pan-Arab projects, the main vehicles have been the partly State-owned Kuwait Foreign Trading Contracting and Investment Company and the Kuwait Real Estate Investment Consortium.

In terms of surpluses the United Arab Emirates means Abu Dhabi. From the late 1960s onwards the Emirate set about following Kuwait's example in providing for the future an alternative source of income and pension fund. The body responsible for it is the Abu Dhabi Investment Authority (ADIA). It receives unspent revenues both from the Ministry of Finance and the Abu Dhabi National Oil Company (ADNOC), which transfers 55 per cent of its operating profits to it (with the halance being kept for its own large developments).

In turn ADNOC has borrowed from the ADIA to finance projects like the $1.2bn lent on commercial terms for the scheme to exploit the gas associated with on-shore oil production. In considering Abu Dhabi's surplns account must be taken of fairly substantial contribntions aet aside for pan-Arab projects as well as aid which

CONTINUED ON NEXT PAGE

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STATEMENT OF ASSETS & LIABILITIES AS AT 31st DECEMBER 1979 in Egyptian £'000

Liabilities		Assets	
Capital	10,000	Cash & Banks	405,232
Res. & Prov.	98,873	Investments	100,426
Deposits	966,995	Loans & Discounts	559,490
Other Liabilities	43,564	Other Assets	54,284
Total	1,119,432	Total	1,119,432

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Role of the West in recycling the surpluses

THREE VERY topical figures can be extracted from the latest annual report of the International Monetary Fund: the expected OPEC current account surplus for 1980 of $115bn; the expected current account deficit of the industrialised countries of around $50bn, and the expected deficit of the non-oil producing developing countries of $70bn.

These projections encapsulate the "recycling problem." Yet it is as well to remember that if the figures prove justified, they will also represent some solution to that problem. For it is impossible to generate a balance of payment surplus without investing it somewhere. And it is impossible to generate a current account deficit without borrowing or disinvesting to raise the cash to pay for it. If the non-oil producing developing countries do register a $70bn current account deficit this year, it will mean that somehow they have financed it.

So when one talks about the OPEC recycling problem, before rather than after the event, one is really worrying whether the inevitable solution to the equation will be one in which funds flow in quantity from the "haves" to the "have nots," rather than one which is essentially arranged between the oil countries and the industrialised countries, leaving the non-oil, non-industrialised countries out in the cold.

Put another way, the solution to the recycling problem may lie not in reducing the size of those IMF figures, but in allowing them to be as large as possible, particularly the one relating to the deficit of the poorest countries.

Hallmarks

One of the hallmarks of the recycling debate is that the onns to provide an answer to the problem does not bear upon those countries which are accumulating surplus revenues. Rather it lies with industrialised countries which are themselves in need of loana. OPEC will be paying the piper, but the OECD countries are expected to call the tune.

There are various ways in which the industrial countries fulfil their unaccustomed role as impoverished middle-man. The largest, quantitatively, is in running and ultimately shouldering the risk of a banking system which has a net exposure to non-oil developing countries of some $60bn.

A second way is through their domioation of the major international funding institutions—such as the IMF and the World Bank—which lend to poorer countries. A third lies in the provision of aid to the Third World by these developed countries.

Both the latter channela help with recycliog in rather an indirect manner. They do not directly convert OPEC deposits into Third World funding. Rather, they involve OPEC countriea lending to industrialised countries which then grant, or lend, the money to poorer lands.

After the 1973 oil crisis, it was largely the emergence of bank lending — together with the remarkably rapid evaporation of the OPEC current account surpluses — that did the trick.

In the second, post-1979, oil price shock, it is generally felt that other means of recycling will have to emerge. Some of the suggestions involve new ways for the industrialised countries to play middle man; others involve *more direct* solutioos, arranged between the OPEC countries and the non-oil less developed countries.

There are various, oft-recited reasons why this quest is developing. First, the propensity of the Arab oil producers to spend their oil revenues, and *therefore* make recycling unnecessary, is expected to be smaller this time round. Second, banks are lending, and countries are borrowing from banks, to an extent which appears increasingly imprudent. Third, cash deposits with Western banks must now appear an unattractive investment to Arab countries which would have done better never to have converted oil into cash in the first place.

There are a number of differeot means hy which a satisfactory degree of recycling from OPEC countries to the *Third* World might he promoted:

● *OPEC aid and OPEC country development funds.* The idea of Third World solidarity has long prompted several OPEC countries—notably Sandi Arabia, Knwait, Iraq and the United Arah Emirates—to dishurse *part of* their oil wealth as aid. The Arah members of OPEC devoted about 5 per cent of their GNP to aid in the peak year of 1975—a proportion far *higher than anything achieved* by a developed country.

But aid from these countries has remained broadly static since that time, at under $5bn a year. As a proportion of the Arab OPEC members' GNP, it fell to 2.4 per cent in 1979. Nor has it yet shown any significant response to the second major increase in oil prices, as it so *conspicuously* did after the first.

Performance

Although OPEC officials still point to the relatively high ratio of OPEC aid to GNP as proof of their performance, it is clear that as a proportion of the surpluses at their disposal the aid is less impressive. An annual flow of $5bn seems fairly modest beside an annual surplus of over $100bn.

Moreover, this aid is concentrated upon a few countries—chiefly the Arab states confronting Israel. In 1978 some 65 per cent of OPEC aid went to seven countries—five Arab states plus India and Pakistan.

It is probable that the second wave of oil price rises will lead to increased pressure on the Arab oil-producing countries to boost their aid further. Such pressure will come not only from the West but, more vocally, from the poorer developed countries which are hardest hit.

There is already movement on the part of the Arab oil producers in response. Iraq has recently increased its aid through a scheme to provide poor countries with long-term interest-free loans to buy oil.

The OPEC Special Fund, which is based in Vienna, has already had its disposable capital increased from $1.06bn to $4bn. The long-term strategy meetings of OPEC have for some time been toying with the idea of greatly increasing the scope of this OPEC special fund.

In May, it was agreed that the Fund's capital should be increased to $20bn, which would finance the oil imports of developing countries. The terms would depend on their wealth, with grants being extended to the very poorest. This plan could be taken further at OPEC's current long-term strategy meeting.

● *OPEC funding of the IMF and World Bank.*

The need to recycle oil revenues to poorer countries has thrown up a job for the IMF which it was not initially designed to do. During the '70s the Fund has gradually adapted to the new reality of oil surpluses and deficits, developing new lending facilities and new sources of finance. The OPEC countries' share of quotas was increased from 5 to 10 per cent, giving them a greater share of IMF votes and calling on them for a greater share of IMF finance. In addition, the IMF approached OPEC countries for funds for the "oil facility" and the "supplementary financing facility," to which they pledged a total of some $10bn.

The IMF is now trying to boost its financial backing for Third World lending still *further and hopes to* raise another $25bn over the next three years, largely from the Arab oil-producing countries. Negotiations about this have been checked by a dispute over the presence of observers from the Palestinian Liberation Organisation at the Fund's annual meeting at the end of this month in Washington.

The World Bank, which has rather more freedom of manoeuvre in the way it funds itself than the IMF, has been tapping Arab sources of finance for some time, mainly with private placements of bonds. Its current debt is some $30bn, of which $4.5bn was raised from oil-exporting countries. Of this year's financing plan of $6.6bn it hopes to find about $1bn from this source. The Bank has placed hard currency bonds with Arab oil producers, thus offering them a way to diversify their investments away from the U.S. dollar.

● *OPEC purchases of Third World bonds.* The extent of Arab oil producers contributions to the bond-financing of the World Bank has already been mentioned. There is also a very small direct contribution via OPEC buying of bonds issued by non-oil developing countries. The total volume of such issues runs at little over $1bn a year and the Arab share purchases of these is undoubtedly small.

The Kuwaiti Dinar bond market, which has never quite got off the ground as a fully developed international bond market, has played a small part in providing such finance for the developing world. It has floated bonds chiefly for North African countries.

Developed

Despite the small amounts of Third World finance achieved so far, observers continue to suggest that bond finance—whether through public issues or private placements—could be developed to tap OPEC cash. The trouble is that Arab money managers tend to be averse to risks. They prefer liquidity. These criteria do not favour investment in Third World bonds.

● *Lending to the third world by Arab banks.* Much more likely than any major development in bond market participation is a greater Arab commitment to the banking business. At the moment OPEC funds play a much greater role in the supply of bank deposits than in the supply of bank capital. Put crudely, the pattern of Third World finance via banks is for OPEC to supply the funds but for the West to carry the risk and make the (now fairly slim) profit.

There are already signs that Arab oil-producers would like to get more "added value" from the flow of funds by greater involvement in banking, in a similar way as they would like to add value to their oil by getting involved in the refining of it.

The OPEC countries are likely to be cautious in this. But any increase in the supply of risk-capital in banking—now one of the main constraints on the ability of banks to continue recycling—has an immensely geared-up effect in the potential flow of funds. For instance, Arab Banking Corporation, set up earlier this year with an authorised capital of $1bn, could, if it raised that capital and became as highly geared as European banks, support a loan portfolio of $10bn-$15bn.

So far it would seem that all Arab-backed banks have a total participation in the syndicated loan market of $15bn. This is only a small part of the total of international loans outstanding. The question of Arab banking is discussed in a later article in this survey

● *Means of offering OPEC countries satisfactory forms of investment.*

A number of schemes have been proposed to encourage Arab OPEC members to produce oil and invest the surplus revenues rather than keep the oil in the ground. Economists from West Germany and the U.S. have proposed the issue of index-linked bonds to the oil-producers.

The theory is that Western countries guarantee the real value of bonds issued to OPEC countries, and then jointly bear the risk of allocating the funds thus raised to oil-importers according to their need. OPEC's side of the bargain would be a commitment to more orderly changes in the real price of oil.

The ill-fated substitution account proposed by the IMF was a slightly less revolutionary approach to the same problem. It was designed to provide a way in which a proportion of OPEC dollar surpluses could be converted into multi-currency assets (denominated in SDRs), without causing disruption on the foreign exchange market.

Since its demise earlier this year, there have been various suggestions of other ways in which OPEC countries could be provided with assets in a spread of currencies without causing perturbation for the currencies in demand.

But so far all such "attractive investment" schemes remain gleams in the eyes of inventive economists.

Nicholas Colchester

OPEC members

CONTINUED FROM PREVIOUS PAGE

are not counted as part of UAE's total assets.

At the end of last year the authority probably had at its disposal $15bn, a figure that could rise to about $25bn by the end of 1980. Abu Dhabi's one big identifiable investment was the Commercial Union building in London in the wake of the 1973-74 price rises, before the establishment of the ADIA. The authority looks upon itself as a "conservative institution that is sensitive about its image." From the beginning Abu Dhabi's Ministry of Finance, assisted by an advisory body in London, concentrated on obtaining a wide currency spread. In the summer of last year the dollar was reliably said to constitute only 40 per cent of its holdings.

ADIA is believed to have kept an even balance between bonds and equities. It has at least a dozen portfolios managed by institutions in the U.S., Britain, France, West Germany, Switzerland and Japan, where Abu Dhabi's first investments were made in the early 1970s. Little has come to light about its shares in companies, although three years ago or so its holdings in seven U.S. airlines, purchased on behalf of the ADIA by Morgan Guaranty, were revealed.

The ADIA has a merchant banking arm and a very visible presence in the Euromarkets through its 70 per cent share in the Abu Dhabi Investment Company. At the same time the National Bank of Abu Dhabi, which handles most of the UAE Federal Government and the Emirate's cash balances, has made its presence felt with the management of issues.

Qatar is regarded as one of the perennial surplus oil producers but its oil output is not great or its current development programmes large. In 1977 it borrowed to finance industrial projects. It is also a very generous donor. Despite a current account surplus in 1979 of over $1.5bn, the excess of revenues over expenditure was ao low after other disbursements that no funds were handed over to the Qatar Investment Board (QIB).

At the end of last year the assets controlled by the QIB were probably in the region of $2.5bn. The board, consisting of only a handful of advisers to the Ruler who meet only twice a year, deploys its fund through 10 portfolios at least—two in the U.S., two in Switzerland, two in Japan, and one each in West Germany, France, Britain and Canada.

Iraq is as enigmatic as ever both with regard to its financial position and the deployment of its funds. Its obsessive secrecy is such that it has not made any returns to the IMF about its foreign exchange holdings since the end of 1977, when its international liquidity stood at $6.81bn. At the end of last year its foreign assets could have been anything from $18bn-$26bn, according to varying estimates. Iraq has a big and ambitious propensity to spend hut little can he deduced from its budget projections. Its income, however, may he in the region of $50bn.

Estimates of Iraq's probable current account surplus have varied from First National Bank of Chicago's $14.8bn to Chase Manhattan Bank's $19.6bn. That seems destined, at least, to have foreign assets of no less than $40bn by the end of 1980. Official Swiss figures for the first half of the year indicate fairly heavy official Iraqi purchases of gold.

Iraq certainly buys bonds, perhaps in substantial quantities. The Bank Rafidain, which has an Iraqi monopoly of normal commercial banking and is the biggest in the Arab world in terms of assets, has been active as an underwriter of issues for some years and is affiliated with the Union des Banques Arabes et Francaises group.

Libya, too is deliberately obscure, but despite its development aspiration and pretensions is likely to be in substantial surplus for the foreseeable future. The last figure of its international liquidity recorded by the IMF was $10.73bn at the end of June 1980 when the country's foreign assets were probably anything from $18bn to $20bn. By the end of year they could top $25bn.

Libya made its one spectacular investment when it bought a stake in Fiat in 1976. That was motivated partly politically and partly by the desire to obtain technology from the Italian company. The activities of the Libyan Arab Foreign Bank have indicated the country's interest in the Eurobond market. But Libya is believed to hold a bigger proportion of its foreign assets short-term than any other Arab oil-producing State. Perhaps the most important of its many affiliations is its 25 per cent share in UBAF Bank London.

Richard Johns

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ARAB BANKING IV

More assertive role in Gulf affairs

A PROMINENT role for Arab banks in the direct handling and investing of the OPEC surpluses has been on the cards since 1974. But only comparatively recently can it be said that some have truly shown themselves ready and determined to take up the Elijah's mantle which their petrodollars bestow upon them. A new self-assertiveness has been particularly evident over the past year.

The timing of this change has been much influenced by the Carter Administration's freezing of Iranian assets in the U.S. banking system last year. No amount of reassurance from Washington has been able to dispel the inference widely drawn from that episode: that all foreign assets are vulnerable to hazards of one kind or another — including "special circumstances" which might affect U.S. Treasury policy again one day.

"The U.S. freeze," according to one Gulf central banker, "made people think again about the whole question of uncertainty." The result was to hasten two developments: the diversification of foreign assets—by both location and currency—and the (not unconnected) nurturing of the Gulf region's indigenous banks.

At the same time, these banks have their own reasons to look more to international business in the future. In particular, foreign banks have made their domestic Arab markets harshly competitive. In many cases, rapid growth of the Arab banks' assets has rendered the continued expansion of their relative profits more difficult. Tough competition has only underlined the conclusion that expansion into international business must be the remedy.

It is a remedy which sits well with more general considerations. Senior Arab managers, shareholders and Government officials—a close-knit group in most Arab states—are increasingly conscious of the parallel with crude oil sales versus the merits of domestic refining. Arab banking is the downstream industry to usurp the place of crude exports of capital. Economics and the dictates of self-esteem are nicely aligned.

Underlent

New aspirations have not put paid to the old caution overnight. The National Bank of Kuwait (NBK) and the National Bank of Abu Dhabi (NBAD)—with footings of KD 982m ($3.67bn) and Dh 18.5bn ($5.02bn) respectively at the end of last year—are likely to remain considerably underlent for some while yet. Others, not least National Commercial Bank of Saudi Arabia, still have to make major improvements in their internal organisation before they will be able to exert the weight of their huge balance sheets. Anticipation of a dynamic future has produced some exaggeration of the limited impact of Arab banking to date.

But it is growing quickly. NBK opened a representative office in London last April and has now managed nearly a dozen internationally - syndicated loans. NBAD has this year managed floating-rate note issues for two major French banks, on the strength of a sound in-house trading operation.

Such forays into the international market are regarded by the banks of the region as an extension of their domestic business. (Indeed, NBK has merged its international and domestic credit departments into one.) Typically, it is local trade and construction financing —letters of credit, guarantees, working capital loans and so on —which must lead the way to term-lending and then perhaps to international business.

Exceptions to this rule—in that they lack one home base, though not their fair share of caution—are the few banks newly-created by oil-producing states for the express purpose of competing in the international markets. Given the altered perception of Arab banking, the progress of these institutions has been followed with much interests.

Last summer, the Bahrain-based Gulf International Bank's syndicated credit department had three full-time officers. Now it has six. The bank participated in 1979 in loans totalling $3bn. By the end of last month, the running total for 1980 was already $8.4bn, comprising 40 loans, for nine of which GIB was lead-manager. The bank's rapidly-growing assets now exceed $2bn and its recently-boosted subscribed capital stands at BD 100m ($265m), all of which should be paid up by the end of 1981.

These figures reflect the bank's arrival as a fully-acknowledged member of the international banking fraternity. It opened a branch in London last year, another is planned for New York next month, and others are expected to follow. No major syndication would now omit to invite GIB in some capacity—unless, that is, the syndication managers wished to retain the company of banks on the Arab Boycott List, which GIB observes strictly.

Even more representative of the new mood amongst Arab bankers, perhaps, is the Arab Banking Corporation (ABC). With the governments of Libya, Kuwait and the UAE as equal shareholders, ABC has already ammassed total footings of $1.1bn after only three months' operation. With an authorised capital of $1bn — $750m of this has been subscribed so far and $375m paid up — its potential growth is clearly enormous and costs a huge shadow over most discussions of the future of Arab banking.

Recruiting

A big balance sheet no more produces a successful bank than expensive weapons guarantee an efficient army. But it might be rash to dismiss ABC's grand aspirations. Although its Bahrain offices still house fewer than 40 staff, it is recruiting some of the region's best respected professionals. Those already on board have lost no time in establishing ABC's presence in the syndicated credit and international bond markets. Loan customers include the Central Banks of Brazil and the Philippines, and ABC has helped manage new issues for Eurofima, Osterreichische Kontrollbank and the European Investment Bank.

Further plans for ABC embrace all aspects of a universal bank's operations. It aims for 150 staff and a London branch by the end of 1981, with perhaps $2bn in assets. How quickly its assets will grow thereafter is a subject of much speculation, as it touches on the issue of relations between Arab banking and the problem of recycling oil revenues.

The proportion of the Arab petrodollar surplus deposited directly with Arab banks has never been large and has almost certainly declined in 1979-80 as the aggregate surplus has swollen again. The National Bank of Abu Dhabi *is* exceptional in this regard, as the only Arab commercial bank handling a substantial share of the host country's dollar assets. More representative is the experience of Bahrain's Offshore Banking Unit industry. It derived much of its initial momentum in 1975 from the support of banks who saw an OBU as a well-placed bucket to catch the pennies falling from OPEC treasuries. Alas, most bankers agree, few indeed ever fell Bahrain's way.

They went instead, and continue to go, into the major money-market banks of the West. It seems unlikely that this is going to change, at least in the short-term. OPEC deposits will continue to flow into the major U.S. and European banks and will not, according to most OPEC central bankers, be deflected by any political considerations.

"Arab banks must first prove themselves," says Mr. Abdullah Saif, the Director-General of the Bahrain Monetary Agency. "No one is going to subsidise inefficiency on their part. They must prove their salt in the international markets against international competitors."

The reaction of Arab commercial bankers to this attitude is neither easy to pin down nor is it everywhere the same. On the one hand are those who happily endorse the caution of the authorities. "We should expect no free hand-outs," says Dr. Khalid Al-Fayez of GIB (while pointing out that his bank already receives "substantial funding" from its government shareholders).

On the other hand, there are those who privately resent the secondary billing given to even the biggest Arab commercial banks. The rationale that OPEC surpluses are too precious to be deposited outside the circle of top-notch New York and Euromarket banks cuts rather less ice now than it did before the Iranian asset-freeze.

Small balance sheets and limited uses for the funds may be constraints on the services which the Arab banks can presently offer. But these should fade with time—and are already less important to some observers than an entrenched caution on the part of the central bankers, which will be more difficult to overcome.

"A concerted push is required for a change in central bankers' attitudes," says one Arab general manager in the Gulf. "This is hard to get going because it isn't worth any individual bank having a political row for the sake of a few hundred million dollars which could come from the interbank market anyway."

There are also differences of opinion about the importance of direct access to OPEC deposits. "Petrodollar funding can come equally well from private sector deposits or the interbank market," says Hikmat Nashashibi, of Kuwait International Investment Company (KIIC). "It is the willingness of the Arab banks to book loans to the deficit countries which gives them their important role in recycling, not the source of their funds."

Stimulus

Others lay more stress on the significance of Government surpluses going directly to the Arab banks. They see this as easily the most effective stimulus to increased Arab lending. In the longer term, also, it must be simple banking prudence to ensure that the region's major commercial banks are not still wholly dependent on the Western interbank markets for their funding. Above all, deposits imply confidence and are seen as a half-way house to a still greater goal for the Arab banks: management control over some of the foreign assets of the oil surplus states.

Opportunities for Arab banks to control some of these assets have been rather restricted to date. The three major Kuwaiti investment banks have been ahead of the field with their discretionary management of Kuwaiti Government funds—in the case of Kuwaiti Foreign Trading, Contracting and Investment Company, for example, worth $1.6bn at the end of 1979.

KFTCIC is 85 per cent owned by the Kuwaiti Government, and has this year been having an unhappy time with various internal upheavals. But its two rivals, KIIC and Kuwaiti Investment Company (KIC), have continued to progress. KIC made a particular impact earlier in the year with its successful management and placing of a large French franc issue for Electricite de France.

In so far as the three K's discretionary portfolios encouraged the operation of a Kuwaiti dinar bond market, they have contributed usefully to the recycling process. KD bonds have been a relatively cheap source of funds available in the past to credits like the Republic of Panama which were effectively barred from the Eurodollar bond market.

Extension

KD bonds might in this sense be a genuine extension to the capital markets of the West. But six of the last seven KD bonds have been for Triple A borrowers, which is not quite the same thing. Moreover, by virtue of their relative cheapness, the bonds have failed to attract Western investors' interest and are therefore almost entirely restricted—whatever new issue volume the liquidity of the Kuwaiti public sector can bear—around $500m a year is one current estimate.

Different credit judgments by Arab and by Western Euromarket banks for deficit country risks, on the syndicated credit market would be potentially far more important than any divergence of views between the Kuwait and Eurodollar bond markets, however.

Some Arab bankers insist that Third World borrowers will be approached from the Middle East with much more sympathy and understanding than Western banks can show. Others assert that Arab banks will be unlikely to touch credits unacceptable, say, to Citibank's shareholders. It is too early yet to judge which of these attitudes will be the more influential—though it must be clear which would contribute more to the recycling process in the long run.

In the shorter term, the contribution of the Arab banks is more straightforward. It should be three or four years at least before they have accumulated portfolios along the lines of those already held in the West. Even if they restrict themselves to the generally acceptable credits among the oil-importing nations, therefore, the Arab banks should breathe a new wind into the flagging sails of the commercial banking community's recycling effort.

Duncan Campbell-Smith

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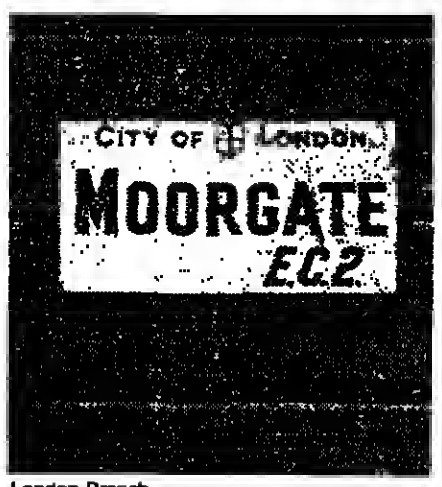

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Consortia continue to thrive

WHEN M. Yves Lamarche left his post as senior vice-president at Bank of America with responsibility for tha Middle East at the end of last year to step into the shoes of M. Yves Truffert, who had heen chairman of Banque Arabe et Internationale d'Investissement (BAII) since 1974, his move was watched with some interest from Neuilly, the smart western suburb of Paris where the doyen of Arab consortium Banks, Union des Banques arabes et Francaises (UBAF), is hased.

Since the appointment of Mr. Abdel-Latif Benani to lead its international division in February 1978, UBAF has become much more aggressive in the international syndicated loan market. Early this year it signed the first syndicated loan for China, to the amazement of more than one member of the international banking community.

Shifted

Two or three years ago the two hanks appeared to be competing directly, particularly in the commercial banking sector. While UBAF, founded early on in the 1970s, has all along boasted the larger asset base (over $6bn today) and the wider international network, BAII was, at least until two years ago, very active in underwriting and managing loans and bonds. Today, however, the emphasis has decidedly shifted towards investment and merchant banking.

Both banks had well-known figures in senior positions. Mr. Mohammed Abushadi, who rose to the chairmanship of the State-owned National Bank of Egypt, is often described as the glue that holds UBAF together. He is the man many bankers credit with having turned UBAF from being the Middle East arm of Credit Lyonnais, which has a 40 per cent stake in UBAF, into a force in its own right.

No matter how difficult at times the relations may be between UBAF's many shareholders—which include Arab Bank (Jordan), the Commercial Bank of Syria, the Rafidain Bank of Iraq, the Ministry of Finance and Petroleum of Qatar, the Banque Exterieure d'Algerie, as well as the central banks of Morocco and Egypt—not to mention Credit Lyonnais—Mr. Abushadi has turned UBAF into the most consistently dynamic of all Arab ventures in international banking.

BAII was very active, notably in commercial banking, until two years ago when its director in charge of merchant banking, Mr. Roger Azar, left to set up a private consultancy. Overnight the steam seemed to go out of BAII's underwriting, though the disappearance of the nascent Bahraini dinar and other Gulf currency bond sectors, not to mention the more active role played by the Kuwaiti banks in the Kuwaiti bond sector, robbed the Paris bank of its niche.

BAII was also believed to have lost money on its bond underwriting business. That may explain why BAII's profits, in both 1978 and 1979, were much below those of UBAF, and the change of direction which has taken place and which is turning the bank into an investment and merchant bank. The bond trading department remains active but places issues rather than underwriting new ones. This change of direction is likely to be emphasised by the new chairman.

A leasing department has recently been set up, this being the first major leasing company in the Arab world. The main transaction to date is the leasing of a TriStar aircraft to Gulf Air. Plans are afoot to set up affiliates, with local partners, in Saudi Arabia, Kuwait and Abu Dhabi.

The bank has recently hit the headlines because of the purchases of prime properties it has made in Europe on behalf of Middle East clients. Its objective is to invest in property, particularly in Europe and the U.S.

So far it has participated in the purchase of the Rhone Poulenc building which houses the headquarters of this large chemicals, textiles and engineering group in Paris. The price was FFr 500m (£50m), which makes it one of the largest property deals ever done in France.

BAII has also financed the purchase of the Londonderry Hotel on behalf of private Arab clients whose identity has not been revealed.

The bank's investment banking department has also been active in the trading of precious metals—not least gold. It acts as an agent and not as a principal on behalf of clients.

Portfolio management has grown in hoth institutional and personal accounts and BAII is believad to have $1-1½bn of funds under management today.

Roger Snrsock, director of BAII's investment banking department, sums up the situation: "It should be emphasised that Arab investment in the West is still very small hut BAII has been active to placing a portion of this investment. However, it is possible that a change in the nature of Arab-Western interdependence could reduce the ability or indead the willingness of Western economies to absorb Arab capital, by which tima the argument for channelling more funds in association with Western technology into Third World countries might acquire momentum."

Impetus

These new policies are being given added impetus by the presence of M. Yves Lamarche, who can point to improved profits during the first six months of 1980.

UBAF by comparison remains a commercial bank: its treasury department is probably the most activa of all Arab banks in Paris. It also helps to finance French exports and assists various corporations working in France. Mr. Benani is a Moroccan who holds Swiss and French degrees in engineering, economics and international law. He worked with Citibank for 12 years before joining UBAF.

He believes, forcefully, that Arab bankers should aim to ba a major force in world affairs — "Arah bankers are too shy," he says. He complains about the discrimination against Arah borrowers and is not alone in the banking community in wondering why Latin Americans or some Far East countries should pay lower margins than do some Arab countries — for example, Morocco or Algeria.

But discrimination would appear to work two ways. It is believed that UBAF is not included in the list of banks with which SAMA (the Saudi Arahian Monetary Agency) deposits funds.

The third major consortium bank based in Paris, FRAB Bank, seems to he a very sleepy organisation — better known today for its flashy headquarters in the prestigious Champs Elysees decorated in raspberry ultra suede than for dynamic achievement. By comparison, the 18th century elegance of BAII's headquarters in the Place Vendome or the workmanlike atmosphere of the modern block UBAF sits in in Neuilly tell a different story.

Other Arab consortium banks play an increasingly active role in the international capital markets, though their personality would appear to be less distinct than that of the two Paris-based hanks, UBAF and BAII. Gulf International Bank is a very active manager of loans and has spread the area of its activity considerably during the past 12 months. It now ranks second to UBAF in tha number of loans it lead manages and manages. In the course of this year it expects to establish a fully staffed bond department which would allow it to play a more consistent role as underwriter of new issues.

European Arab Bank is also an active manager of loans but there has been some turmoil recently which resulted in the departure of the hank's managing director, Robert Botcherby.

While the concept of consortium banking is being questioned increasingly today, at least where institutions whose shareholders are purely Western are concerned, it appears that Arab consortium banks, especially the older established ones, continue to thrive. They hava come of age. The problem for the more recently established ones remains to acquire a personality which is distinct, and that is no easy matter.

Francis Ghilès

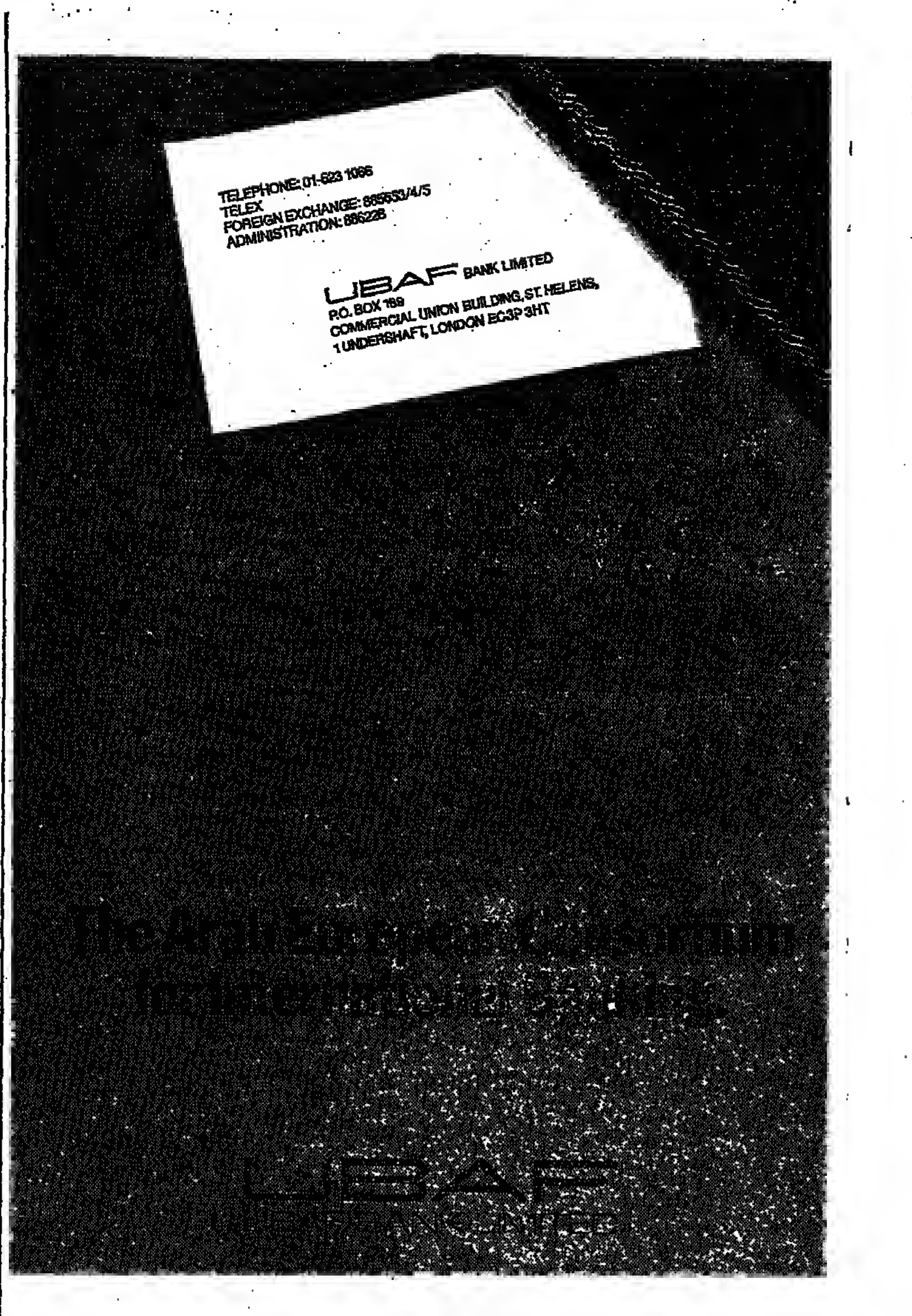
THE SHAREHOLDER BANKS IN THE BIG TWO

BAII

Abu Dhabi Investment Authority	Cairo Amman Bank
Algemene Bank Nederland	Canadian Imperial Bank of Commerce
Arab Petroleum Investments Corporation	Development Bank of Singapore
Banca Nazionale del Lavoro	Gulf Bank KSC
Banco do Brasil	Kuwait Investment Company
Banco Central	National Bank of Bahrain
Bank of America NT and SA	National Commercial Bank
Bank of Kuwait and the Middle East	National Investment Company
Bank of Sudan	Osterreichische Landerbank
Banque Bruxelles Lambert	Qatar National Bank
Banque Centrale Populaire	Societe Financiere Europeene SFE
Banque du Liban et d'Outre-Mer	Sumitomo Bank
Banque Nationale de Paris	Union Bancaire pour le Commerce et l'Industrie
Banque Nationale pour le Developpement Economique	Union des Banques Suisse
Banque Nationale de Tunisie	Wahda Bank

UBAF

Alahli Bank of Kuwait	Central Bank of Egypt
Alahli Bank-Dubai	Central Bank of Somalia
Arab African International Bank	Central Bank of Yemen
Arab Bank	Commercial Bank of Syria
Bank of Bahrain and Kuwait	Credit Lyonnais
Bank of Jordan	Jordan National Bank
Banque Andi SAL	Libyan Arab Foreign Bank
Banque Centrale de Mauritanie	National Bank of Abu Dhabi
Banque Exterieure d'Algerie	National Bank of Yemen
Banque Francaise du Commerce Exterieure	Rafidain Bank
Banque Generale du Phenix	Riyad Bank
Banque G. Trad (Credit Lyonnais)	Societe Tunisienne de Banque
Banque du Maroc	Sudan Commercial Bank
	Yemen Bank for Reconstruction and Development



State borrowers and their ratings

THE GROSS borrowing needs of Arab oil exporting countries have been sharply reduced this year by higher oil prices. Nevertheless their total publicised borrowings in the international credit markets have remained fairly high at nearly $9½bn during the first half of 1980 compared with approximately $10bn in the first half of 1979. For the most part this group of countries enjoys easy access to the international credit markets.

Not all Arab countries are oil producers, however, and for some access to the capital markets of the West is less easy. While Jordan's reputation among international banks is good—it has recently secured a seven year $150m loan on the very fine spread of ⅝ per cent, the first for many months—Morocco's is a little tarnished by the continuing war in the Western Sahara; and the strain this is putting on that country's balance of payments.

Sudan is a far worse case and the Bank of Sudan, the Sudanese central bank, recently appointed Morgan Grenfell to advise in its negotiations on its outstanding debts to commercial banks. Negotiations with Western banks ended without agreement last December because Sudan regarded the banks' demand for payment of arrears of interest and regular payment of current and refinancing interest, in return for rescheduling of the debt over a seven-year period with three years' grace, as impossible to fulfil. But the dialogue between the banks and the Sudanese authorities was revived and the appointment of Morgan Grenfell should help speed negotiations.

Egypt is a somewhat special case. The large loan which a group of banks, spearheaded by UBAF, tried to put together more than a year ago to help finance the purchase of U.S. civilian aircraft fell foul of the bad relations between Egypt and its Arab neighbours in the wake of Camp David.

Meanwhile Egypt and the International Monetary Fund (IMF) have failed to reach the basis for a new agreement to replace the $730m three-year facility that collapsed three months after it was signed in 1978. While the failure is a setback for Egypt's desire to win an international seal of economic "good housekeeping" it also demonstrates the immense improvement in its balance of payments over the past 18 months.

Among the oil producers the most ironic case is without doubt that of Algeria, which has all but vanished from the markets. Enhanced earnings from oil and gas exports coupled with a shift in its economic policy away from investment in heavy industry have reduced its borrowings to a mere $40m in the first seven months of this year.

Boasted

During 1979 Algeria borrowed $2.1bn in loans and bonds and the last major loan for an Algerian borrower, the Banque Nationale d'Algerie, at the turn of the year boasted an element of ⅝ per cent in the margin, the lowest yet for an Algerian name.

Among the Gulf States Qatar this year appears to have taken the decision virtually to wipe out its Eurodollar borrowings. In January it paid off its $350m syndicated loan for the Government's petroleum corporation, and a number of its State industries. In August it prepaid its $175m Eurodollar loan for the Qatar Petrochemical Company.

Sharjah, in the UAE, continues, however, to borrow money for general purposes, mainly to pay off old debts, local bankers believe. Abu Dhabi is helping it out through discreet payments to service the debts, but Sharjah has recently gone to the market once again for general financing. However, the rates it has been able to obtain have been much improved by the guarantees which Abu Dhabi has provided. Outstanding at the moment is a $200m loan arranged by BAII and a number of smaller amounts arranged on a club basis by British and U.S. banks.

Abu Dhabi's willingness to support Sharjah in such deals was further emphasised this year by the appearance of the National Bank of Abu Dhabi in a lead management position in the latest $55m Eurodollar borrowing for Sharjah. The emirate is very much a federal loyalist and is at least making the effort to pay off its foreign borrowings in a regular way, something which is much appreciated by international banks.

Much less can be said of Sheikh Saqr in Ras al Khaimah, who because of his more independant policies, does not enjoy the support of Abu Dhabi. The emirate's financial position is still precarious and its debts, including foreign borrowings, are estimated to be around the $500m mark, though international borrowings are only a small amount of this.

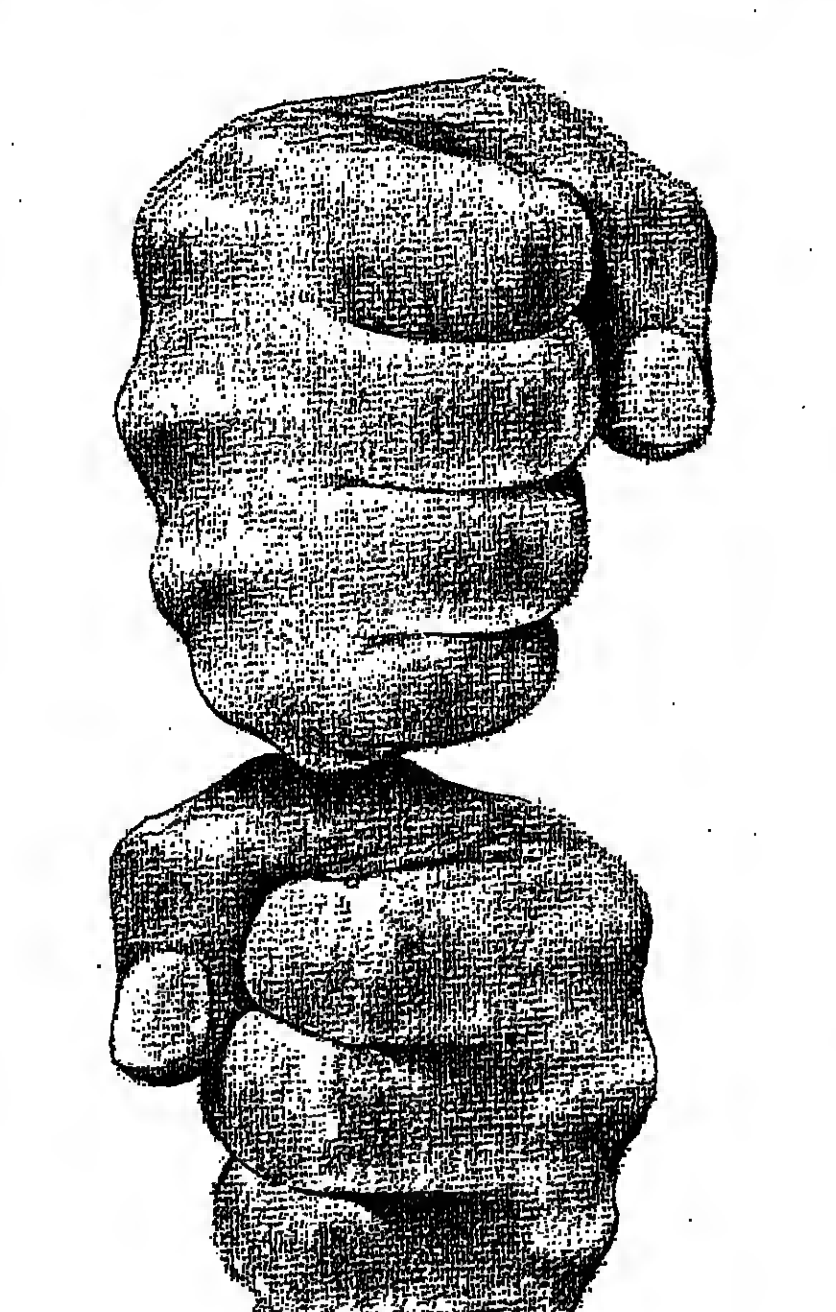
Dubai on the other hand has around $2.67bn in outstanding Eurodollar loans because its ruler Sheikh Rashid has usually turned to foreign banks to help him finance his major urban and industrial projects. The emirate's debt service ratio, however, which at one time caused concern among foreign bankers, has considerably improved since the 1979 oil price rise and Dubai's decision to turn to the spot market for its oil sales at a time when spot prices were considerably higher than official OPEC rates.

Most of the borrowings made by Arab countries in the international capital markets has traditionally been in the form of syndicated credits. A few, notably Algeria and Morocco, were able to arrange bonds denominated in one of the Gulf currencies. That source of funds dried up last November, however, when the central bank of Kuwait closed the new issue side of the Kuwaiti dinar (KD) market. This happened as a result of the very serious liquidity crisis which had left a number of banks with serious funding difficulties.

Inadequate money market liquidity had been a principal concern of the Kuwaiti banks for several months. It became an acute problem in the wake of the Volcker package last autumn and had been exacerbated by the Carter package in November, 1979. No-one fears a revaluation of the dinar against the U.S. dollar, at least of any significance. When U.S. interest rates move sharply higher, Kuwaiti rates must follow suit or attract arbitrage operations. Last autumn Kuwaiti rates moved up, but stayed a long way behind dollar rates. Anyone able to borrow dinars did so, buying dollars and earning a margin on deposits 5 or 6 per cent higher.

The KD bond market was re-opened in August, eight months after the imposition of the Government's moratorium, but could still fall victim to a violent jump in U.S. dollar rates. Meanwhile the Kuwaiti central bank has imposed tighter rules governing the size of each KD issue and the new issue calendar. The first KD issue was for the City of Oslo but it is yet far from clear how much this sector of the bond market can really flourish.

Francis Ghilès



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Successful stand on currency rates

THE MONETARY authorities of the Gulf have let ont a communal sigh of relief since April. Trapped in a flood of rising capital outflows for some 18 months, they had chosen not to try staying buoyant with the aid of currency revaluations and higher interest rates. They had opted instead to stand their ground and simply take a deep breath.

The exodus of capital had continued for several worrying months. Serious shortages of local currency had followed a huge switch into foreign assets and urgent remedies had been sought. Then came the April collapse in dollar rates. The flood receded and the authorities reaffirmed the practicality of their stand.

Against the background in 1979 and early 1980 of high sterling and dollar interest rates, heavy selling of Gulf currencies was inevitable. Their low interest rates and limited exposure to changes in their dollar exchange rate created spectacular arbitrage opportunities. Last year's political uncertainties in the region added a second motive for capital transfers.

It would be naive to suppose that the Gulf governments were not made fully aware at an early stage of the crisis of the consequences of fixing both interest and exchange rates. Their adherence nonetheless to the "deep breath" policy was not the product of simple-minded obduracy sometimes suggested by unsympathetic observers.

The Gulf rulers were advised that with careful central banking supervision, rate adjustments could be avoided longer than the critics thought. In this respect, the advisers were to some extent vindicated by the resourcefulness of the monetary authorities in combating the short-term effects of the capital outflow.

The money systems of the Gulf are almost entirely closed circuits. The Government sells oil and gas for dollars. The dollars are sold to the central monetary authority in exchange for, say, riyals. The Government's local spending puts the *riyals* into the domestic economy, where they remain in circulation or are sold back to the authority (via the banking system) to buy the dollars originally sold by the Government. When riyal sales accelerate because dollars are in keen demand—for imports or simply to provide foreign asset holdings—riyal illiquidity *results unless the Government* injects a fresh supply.

If this supply has to exceed the level of the Government's natural spending, as was everywhere the case in 1979-80, then resourcefulness is needed to invent new ways of injecting funds without disrupting the financial sector.

Expedients

In the event, Gulf monetary authorities adopted a range of useful expedients. Some, particularly the Kuwaitis, purchased undeveloped land at drastically inflated prices, which transferred Government funds into private sector hands—though how many hands, exactly, was not always clear.

The authorities also arranged swap facilities. These were a development of the arrangement whereby central banks bought foreign exchange for "same-day" rather than the more normal "two-day" settlement. This arrangement provided immediate relief for domestic interbank markets starved of local currency. But it meant that commercial banks had to accept a (theoretical) foreign exchange risk, since foreign exchange liabilities sold in this way might need one day to be met.

Swap facilities provide for a future resale of the foreign currency to the commercial banks — though at a slightly different price to reflect the central bank's desired interest rate differential between the two currencies over the period of the swap.

Such measures were used throughout the Gulf to offset illiquidity last year and this. They did not prevent periods of acute difficulty—with overnight rates soaring to 40 per cent or more—but they did alleviate seriously disruptive market conditions on many occasions.

Indeed, some leading bankers have criticised the over-use of swap facilities. They point out that swaps are designed to *mitigate short-term illiquidity*, where the timing of Government expenditure is temporarily mis-matched against private exchange operations. Swaps are in this view less useful during chronic illiquidity, where the local currency deposit base has become unsatisfactory.

But the heavy use of swaps was probably inevitable, given the reluctance to adopt Western measures involving exchange and interest rate fluctuations. This reluctance reflects far more, however, than trust in short-term expedients or confidence that huge foreign exchange reserves can be used by *Gulf States to spend their* way out of any illiquidity.

Politically, a borrowing rate of 10 per cent represents an important ceiling for the Gulf Governments. Higher rates compromise the desired image of domestic stability. While they can hardly be avoided in interbank markets, they are otherwise prohibited or effectively restricted—as in Saudi Arabia—to the overdrafts of foreigners.

Nor is this 10 per cent limit dictated only by socio-political considerations—or even just religious objections, which generally find 7.5 to 10 per cent rates a necessary evil, but consider anything higher to be positively usurious.

There is also the economic argument. Gulf societies are financially far less sophisticated than the West. Since many people's savings are held in cash, in non-interest-bearing bank current accounts or deposit accounts yielding a few per cent only, an innovation which might fuel inflation as rapidly as high bank lending-rates is understandably feared.

Again, there is a scepticism about the efficacy of more flexible rates, reinforced during the last 18 months. "No amount of rate-tinkering will halt politically-motivated transfers of capital," said one Gulf banker. "And if beating imported inflation is the aim, subsidies are a far better tool."

This view reflects the common belief that, if revaluation were used to offset higher import prices, many Gulf merchants would fail to pass on their reduced costs to the market-place. Revaluation would reduce the local currency value of dollar-denominated oil-earnings. But it would be less effective as a substitute for existing Government subsidies, the popularity *of which has its own distinct* political value.

Speculators are a third putative target for revaluation. Gulf officials are reminded with some regularity that arbitrage speculators (borrowers of cheap local currencies to fund lucrative dollar deposits) could be deterred by flexible rates. Their answers are seldom specific but many observers doubt that arbitrage profits seriously concern the authorities.

Regulated interest rates are not generally perceived in this way. But if this has occasionally been the net effect in the retail banking context, the same is *true in the corporate sector.* The structure of domestic rates in Kuwait, for example, appeared to restrain coupon levels on new KD bonds during 1979. Some adventurous borrowers were able to raise substantial funds —before last November's moratorium on new issues—for considerably less than they would have paid in the Eurodollar bond market.

More Western treasurers might perhaps have taken advantage of the Kuwaitis' largesse if they had fully appreciated the link between the dollar, the KD and all the other Gulf currencies. Possibly they were misled by talk of "daily fixings" and restructured currency baskets.

Antipathy

These latter have sometimes accompanied small percentage changes between all the Gulf currencies and the dollar. But the adjustments reflect no change in the underlying antipathy towards revaluation. They have been only small percentage changes which—particularly in the case of the Saudi riyal earlier this year—have successfully deterred foreign exchange dealers from taking up speculative inventory positions.

Indeed, it is precisely because all the Gulf currencies share this basic adherence to the dollar which renders most discussion of further Gulf monetary co-ordination superfluous. But one all-embracing Gulf currency still recurs as a *topic* of heated debate whenever the monetary authorities are enjoying a period of relative calm. And there are signs of its re-appearing now to fill hours of political discussion—until the next interest rate cycle revives again the weightier questions of the last year.

Duncan Campbell-Smith

The Arab world's IMF

THE Arab Monetary Fund took a *further step towards* becoming the Arab world's own IMF last autumn by providing its first extended facility to the region's most indigent couotry, Sudan. The $44bn loan was its largest yet, and it was the first time the Fund had lent more to a member country than that couotry had put in.

The Fund has 21 member States, though Egypt is technically suspended from membership, despite being one of the Fund's creditors. The chief aim of the Fund is to assist Arab States with balance of payments difficulties, recycling the surpluses of the richer Arab States to the poorer.

All member States have the automatic right to draw up to 75 per cent of their paid-up subscription should they have a balance of payments deficit. In addition, member states may be able to obtain a loan on concessionary terms from the Fund to support a financial programme to be agreed with the Fund. In the case of a severe balance of payments problem, the AMF can, like the IMF, provide fuods according to a financial and economic reform programme agreed between the member state aod the AMF.

A member state may in addition be able to borrow up to 100 per cent of its paid up subscription to meet some unforeseen balance of payments disaster such as crop failure. The limit to borrowing by member-states in any one year is three times its paid up subscription.

Impartial

Theoretically, the AMF should meet the need in the Arab world for an impartial organisation to control the disbursement of balance of payments support to the poorer states. Richer countries like Saudi Arabia are often reluctant to give this kind of aid without some kind of control on how it is spent, and this is more easily done by an multilateral organisation.

The AMF's authorised capital is now about $1,026bn following an *additional* commitment of $50m by Iraq before the last annual general meeting in April. In fact the capital is denominated in Arab dinars, each of which is equal to three IMF Special Drawing Rights. Officially, therefore the AMF's capital is AD 263m, or SDRs 786m.

Of this, some $534m has been paid up. Concessionary loans disbursed to member-states amount to about $90m accouoted for by loans to Sudan, Egypt (apparently being repaid), Morocco, Mauritania, Syria and Somalia.

In fact Sudan, with its $44bn extended facility and two previous drawings totalling $14.6m, is easily the biggest creditor of the Fund. Though the $44m loan was on terms which included a financial and economic reform programme, it came a few months after the IMF had agreed a rather larger facility for Sudan. It would not have made much sense for the AMF to have imposed yet more stringent conditions than the IMF, while less stringent conditions would have been meaningless.

Meanwhile the Fund has been trying to fulfil some of its other stated objectives, which include promoting Arab economic unity, advising *states on investment* and promoting the development of Arab capital markets. Last summer the AMF shot to prominence by announcing a stop to all financial dealings with Canada in protest at the new Canadian Government's election promise to move the Canadian Embassy in Israel from Tel Aviv to Jerusalem.

Dr. Jawad Hashem, the AMF's Iraqi President, said that no more deposits would be placed with Canadian banks, whether they were offshore banks in Bahrain, on the Euromarket or anywhere else. It would have no foreign exchange dealings with Canadian financial institutions, nor would it trade in Canadian bonds.

But the blow to Canada was rather less severe than these dire pronouncements suggested. Less than $1m of the AMF's funds were in Canadian dollar bonds at that time; in any case, a political decision of that kind had to be ratified by the AMF's parent body, the Arab League.

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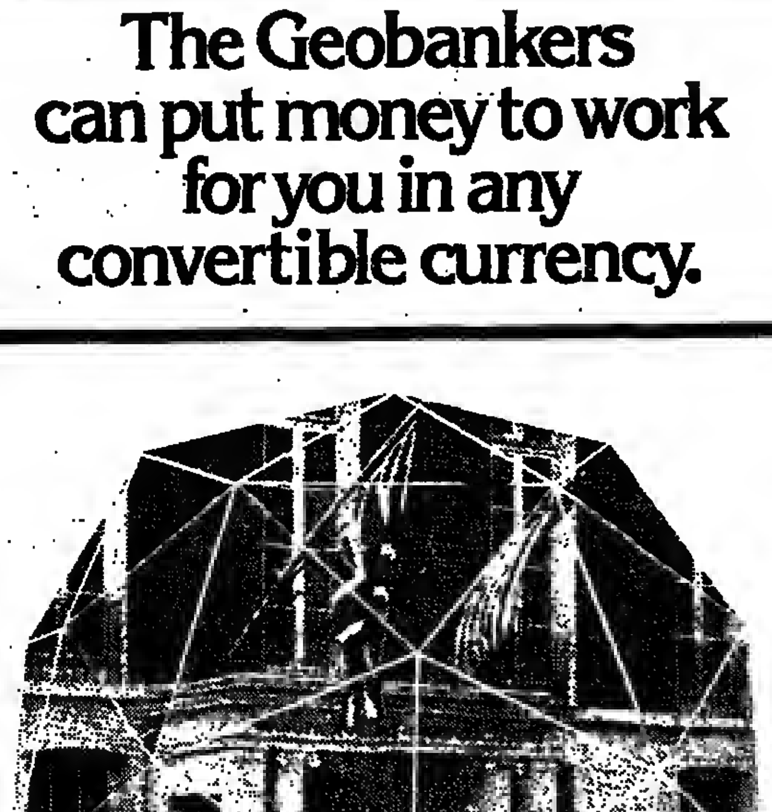

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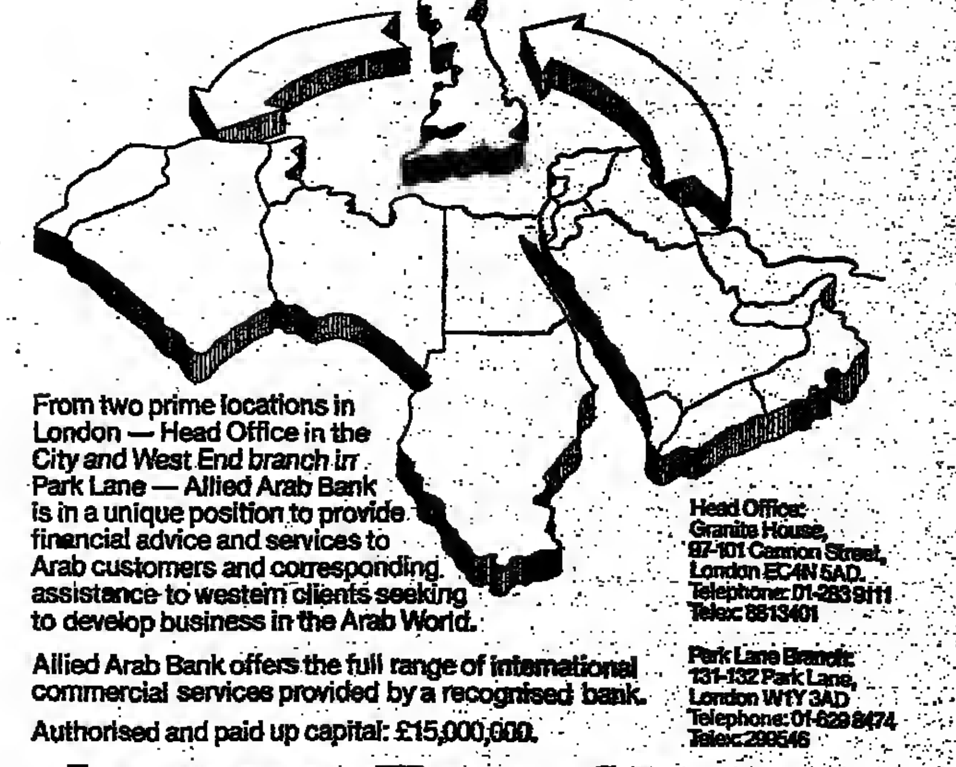

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A stronger alliance of Arabs in International Commercial Banking

OPEC aid programme comes under fire

THERE HAVE been fewer fawning speeches and ignorant, Press articles about OPEC aid in the past year and a half. In their place has come increasingly outspoken criticism of the organisation's aid performance, from the leaders of the industrial countries, most recently by Chancellor Helmut Schmidt of West Germany, and a great deal of more muted but rather more bitter obloquy from the developing countries.

The burden of the criticism is that OPEC's aid performance has been deteriorating in the past two and a balf years, and that OPEC states have yet to make an adequata response to the effects of their oil-price increases in 1979 and 1980.

Though the OPEC countriea give a far higher percentage of their GNP in aid than do the industrial countries (who are by this yardstick ten times more generous than the Soviet bloc), the disbursements by the OPEC states reached their lowest percentage of GNP in 1979. In 1978 and 1979 disbursements were in monay terms lower than in the preceding three years, and considerably lower in real terms (see table). Part of the decline was caused by the departure of Iran from the ranks of substantial aid donors, though this was to some extent compensated for by a big rise in Iraq's performance.

Since mid-1979, OPEC countries have, with some exceptions, yet to give signs of substantially increasing their aid, notably whila discussions on a new collective response to the plight of the developing countries are still going on. Only Iraq has greatly stepped up its assistance to poorer countries with oil purcbases. Outside the Arab world, Venezuela has joined non-OPEC Mexico in an oil purcbases assistance scheme for nine countries in the region.

Clouded

Discussion of OPEC's aid philosophy and performance is clouded both by contradictory arguments on the part of the organisation's members, and by misunderstanding among many development workers of the nature of OPEC aid. On the one hand, OPEC argues that it has no obligation to give aid, certainly not in compensation for oil price rises. It claims to be fighting a battle on behalf of all developing countries against the industrial countries, since its members are themselves developing countries and bave big development needs. It concludes that the industrial countries, which have the real wealth in the world, sbould compensate the poorer states for the effects of oil-price rises caused by the industrial countries' demand for oil.

The OPEC States themselves do not take these arguments very seriously, as sbown by the fact that many of them are in fact big aid donors. They also co-operate closely and with increasing efficiency with the industrial countries in many aid operations.

Being big aid donors, OPEC states are treated in much the same way as the OECD aid donors. Their aid disbursements are recorded and published, and set against the somewhat hazy calculations of their GNP—which in the case of oil exporting countries do oot make full allowance for the fact that they are depleting irreplaceable resources. In fact, as those who attempt to keep track of OPEC aid at the OECD would be the first to admit, OPEC aid is not all like that given by OECD countries.

One third of OPEC disbursements over the past six years has been in contributions to the capital of OPEC and Arab multilateral funds, most of them newly established, or to other loternational bodies. The main aid-giving OPEC states—Saudi Arabia, Kuwait, the United Arab Emirates aod Iraq—have their own aid funds.

Yet the bulk of OPEC aid is not disbursed to recipients either by the multilateral or the bilateral funds, but goes in the form of direct transfers from the Ministry of Finance of one country to that of another. Such transfers are often difficult to keep track of, thoogh the bulk of them do eventually show up in the published statistics.

Most of the transfers are to the Arab front-line states and to a few other near neighbours of the oil states. Indeed, under the Baghdad summit agreement of November 1978, six Arab OPEC states are pledged to give a total of $3.6bn a year to Syria Jordan, the Palestine Liberation Organisation and the people of the Israeli-occupied territories. If paid in full, these commitments would account for a very substantial chunk of the last year's total OPEC disbursemeots of 4.7bn (according to the OECD provisional figures). In 1978 65 per cent of OPEC aid went to seven states, five of them Arab, plus India and Pakistan.

Apart from the big political donations to the Arsb front-line states, which are officially classified as balance of payments support, most OPEC aid is tied to specific projects. This is partty because balance of payments support is hard to monitor, and partly because projects—a oew harbour or an irrigation scheme—are a great deal easier for the rulers of some of the donor states to envisage than a crude bank statement entry.

It is therefore hardly surprising that OPEC states have yet to sgree on a collective programme to assist the developing countries in the wake of the 1979-80 oil price rises, and that the big donors (with the exception of Iraq) have not stepped up their aid programmes. OPEC is not a very cohesive body, while iodividual OPEC states, notably Saudi Arabia, are ill-equipped to digest rapidly the confusing plethora of aid-proposals that have been put to them in the past year.

However, as well as raising the capital of the increasingly effective OPEC Fund, based in Vienna, from $1.6bn to $4bn, OPEC members have been discussing much larger aid programmes. The OPEC Long Term Strategy, which provides for steady but reasonably predictable oil price increases, endorsed an Iraqi plan for a joint fund for energy and development. Botb OPEC and the industrial countries would contribute to it.

But when it was discussed at Taif in Saudi Arabia last May, the provision for contributions by tbe industrial countries was dropped as heing unrealistic. The meeting concluded by referring the matter to last week's ministerial meeting in Vienna. Proposals included a raising of the OPEC Fund's capital to $20bn, assistance to developing countries with oil purchases through grants for the poorest states, and loans on terms varying from concessionary to commercial for the richer developing countries.

Relatioos betweeo the developing countries and the industrial atates, and between tbese two and OPEC, are strained. While Israel is taking increasiogly provocative action on the status of Jerusalem and the occupied territories, which the Arab states see the U.S. doing nothing to stop, the Arab OPEC states can hardly be seen acceding to western pressure on aid for the developing world. Indeed, even the possibility of Arab states lending oo commercial terms to the International Monetary Fund is beld up by a row over tbe granting of observer status to the Palestine Liberatioo Organisation.

What is depressing, however, is the lack of dialogue between the different parties over tbe aid issue. OPEC states barely put in an appearance at the (admittedly tedious) UN Soecial Session at the beginning of this month, wbich dealt with development issues and the North-South dialogue. OPEC states' diplomats have talked of postponing action on an aid package until after the global negotiations hetween all the countries of the world originally scheduled for next year.

For most developing countries, that is too long to wait. What OPEC states seem only dimly to grasp is that because high oil prices now absorb a very high proportion of developing countries' export earnings (often as much as 60 per cent), these states effectively have no foreign exchange in the bank.

The result is that their economies slow dowo and development projects to increase productivity or exports, often partly funded by OPEC states, are delayed or even aborted altogether. That is why the developing countries want a share of the OPEC states' current account surplus, estimated at 0115bn for this year.

James Buxton

AID GRANTED BY OPEC COUNTRIES

	1975	1976	1977 $m	1978	1979
Nigeria	14	83	64	38	28
Algeria	41	54	48	44	45
Venezuela	31	103	52	109	83
Iraq	218	232	61	172	861
Iran	593	753	224	278	21
Libya	261	94	115	169	146
Saudi Arabia	1,997	2,407	2,410	1,470	1,970
Kuwait	976	615	1,518	1,268	1,099
Qatar	339	195	197	106	251
United Arab Emirates	1,046	1,080	1,177	690	207
Total OAPEC*	4,879	4,656	5,526	3,919	4,579
Total OPEC	5,516	5,596	5,866	4,344	4,711

Source: Organisation of Economic Cooperation and Development.

Arab IMF

CONTINUED FROM PREVIOUS PAGE

which did not do so. Later Canada dropped its plan to move the embassy.

The AMF took a strong stance on the freezing of Iranian assets in the U.S. by President Carter after the taking of the Iranian bostages. In January this year, Dr. Hashem issued a measured but strongly-worded statement calling for Arab investments and deposits in western countries to be guaranteed against sequestration and freezing.

The U.S. Government's action against non-Arab Iran was a severe blow to international confidence and stability, he said. The action of the banks had "revealed that they could act as instruments for the implementation of measures, sucb as freezing of deposits, taken for reasons totally unrelated to the ecooomic and financial considerations which alone should guide them."

Dr. Hasbem said there should be an international agreement between the "advanced countries" and the Arab states. There should be a conference to discuss the issue, he said.

Significance

The significance of the statement related more to the investment of the surplus funds of Arab members of OPEC than to the AMF's own funds, none of whieh—at that time—were invested in America. The U.S. Treasury had refused to grant the Fund exemption from U.S. withholding tax on its holdings of U.S. Treasury bonds, since the Fund is not a sovereign state. But the Fund at that time had about $150m invested in U.S. banks in Britain, the Bahamas, West Germany and Singapore.

Little more has yet been heard of the proposed conference, but Dr. Hashem was undoubtedly putting the AMF's weight behind the Arab case on what is currently a crucial issue.

But the most important issue is for the Fund to become a bigger provider of balance of payments support to poorer Arab states.

James Buxton

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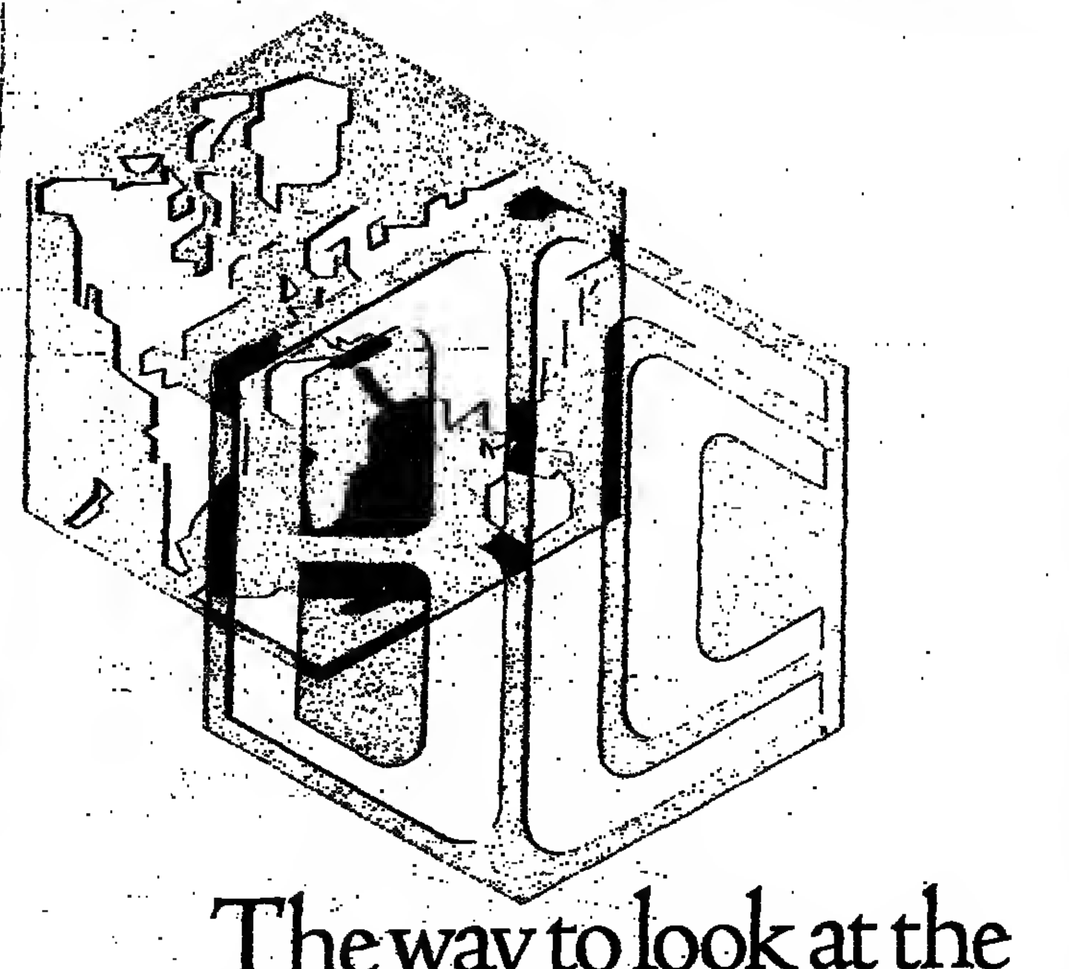

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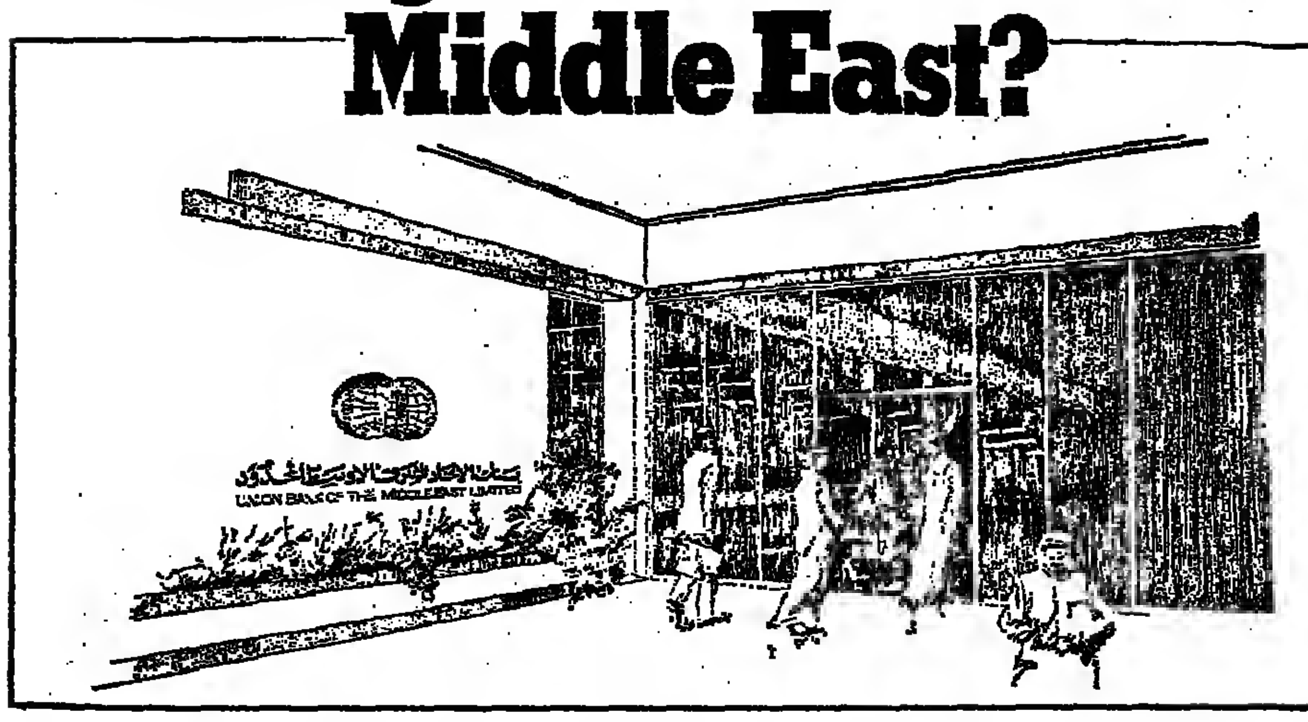

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Oil wealth flows into precious metals

FOR THE last decade, a favourite occupation of international bullion market pundits has been the drawing of elaborate charts showing a remarkably precise correlation between the inexorable price-rises of oil and gold.

The ratio between the price of a barrel of oil and that of an ounce of gold has remained at roughly 1:20 with the occasional fluctuation on either side — since the halcyon days in 1970, when oil was $1.5 a barrel and bullion still traded at the old official price of $35 per ounce.

The step-by-step price increase of both commodities during the 1970s—both have risen 20-fold during the last 10 years—has been more than a coincidence. Oil and gold have both become world-wide barometers of political instability. A more practical reason for the link is that the Arab countries which have derived the largest financial benefit from the oil price-rises have for several years been investing a considerable proportion of their increased wealth in gold.

Middle Eastern demand has been one of the most important factors behind the trebling of the gold price since the beginning of last year. There was particularly heavy buying from that area by Government-owned or State-backed institutions as well as by wealthy private individuals during the near-panic conditions on the bullion market leading up to the record $850 per ounce recorded in January.

Squeeze

The drop in price since then—gold hit a low of $470 during the peak of the U.S. financial squeeze in March — left many Arab investors with heavy losses.

Such losses were not confined to those trading in gold. The ill-fated efforts of the Texas-based Hunt family to corner the world's silver market were backed by wealthy Arab investors, including at least one member of the Saudi Royal family. The partners shared in the misery when silver collapsed from its January peak of $50 per ounce to around $10 in March.

Middle East investors have also participated in the ups and downs among other precious metals like platinum and palladium over the last few months. According to some Swiss bullion dealers, Arab clients have diversified into silver and other precious metals. They aim both to spread the risk and to avoid annoying the Americans by pushing the gold price too high.

Gold enthusiasts in the Gulf have, however, learnt something from the price-gyrations of the last few months. They have become far more skilful at playing the market in both directions to avoid, or at least diminish their losses, according to London bullion dealers.

A large amount of gold was sold back to the market from the Middle East in the first three months of the year, estimated at as much as 150 tonnes. These sales represented a combination of profit-taking, forced selling and unloading of old jewellery stocks as the price tumbled from the January peaks, and were partly responsible for the relative weakness of the gold market during the spring and early summer.

Since then, the price has again recovered, rising to nearly $700 earlier this month as the markets became nervous during the run-up to the OPEC price-fixing meeting in Vienna. Arab investors have been back as a major force in the market since the ending of Ramadan last month. But dealers say there has been buying and selling in both directions. This represents a significant switch from the one-way stockpiling seen during the price surge of the end of last year.

The sources of Arab demand for gold can be split into three basic categories, all of them to some extent overlapping. Buying of gold for jewellery has long been a staple component of overall purchases from the area, but fell sharply in 1979. But investment demand—divided between public and private sectors—has risen in line with the greatly increased current account surpluses of the Arab oil states.

The jewellery sector showed itself remarkably price-sensitive last year. According to Consolidated Gold Fields, the London mining finance house, total Middle Eastern purchases of new gold for carat jewellery-making dropped sharply to only 65 tonnes last year from 226 tonnes in 1978. The fall reflected resistance to higher prices and increased use in the industry of gold from old stocks.

This reduction in demand is, however, likely to have been eclipsed by increased investment demand over the last year or so. Significantly this has been a time when total world supplies of the metal have been decreasing sharply.

Secretiveness

Firm figures on the extent of Arab buying are hard to come by in a market which prides itself upon its secretiveness and lacks any overall statistical coverage. But some idea of the strength of demand has been provided by official Swiss figures showing that Iraq, Kuwait and the United Arab Emirates between them transferred a total of 129 tonnes of gold, worth some SwFr 4.2bn (£1.1bn) from the Swiss bullion market in the first six months this year.

Total exports of gold from Switzerland to Arab countries during the first half came to 146 tonnes worth SwFr 4.7bn (£1.2bn). This amounted to 40 per cent of all Swiss gold exports. British Customs and Excise figures reveal that there have also been transfers of gold to Arab countries from the London market this year—notably to Libya.

These figures do not, however, include the amounts of gold bought by Arab investors in London and Zurich and stored there on deposit rather than physically shifted back home. This type of buying might have increased over the last year or so. Fears of political instability in their own countries have made some wealthy Arabs reluctant to keep too much of their hoards at home, according to London dealers.

One London banker in touch with Arab clients estimates there are 30 to 40 private groups or consortia in the Gulf playing the gold market, with funds up to $20m to spend—around five with capital of $100m. Such groups trade around the clock in the Far East, European and North American markets. They normally carry out transactions of two to three tonnes a time—but occasionally up to 10 tonnes and they deal mainly through the London bullion houses or the Zurich banks, all of which have offices in all three centres.

In most Arab states, a string of quasi-official investment institutions share with the Central Bank or Finance Ministry the job of administering the nation's foreign reserves. Because of the blurring of the lines between Government and private investments, it is often difficult to detect whether gold stocks are being built up as part of official decisions to shift reserves into bullion.

The figures for official gold holdings reported by the countries to the International Monetary Fund are particularly misleading in this respect. According to the IMF, the combined official gold reserves of Saudi Arabia, Kuwait, the UAE and Libya amount to around 323 tonnes. But this almost certainly understates the true total (just as the Fund figures give an incomplete picture of Arab currency reserves).

There is in fact little doubt that Arab OPEC states are investing in gold as part of a general policy to diversify the content of their reserves. This represents a continuation of efforts already put into effect over the last few years to lower the dollar component of foreign exchange holdings in favour of other currencies like the Deutsche Mark, yen and sterling.

The Bank of England has estimated that, as of the end of last year, official holdings of gold (valued at $500 per ounce) probably accounted for just over 10 per cent of total OPEC assets. This is roughly the proportion that some investment managers in Arab-connected banks have been advising as a suitable "core" holding of gold in privately-owned portfolios.

David Mar

Investor deployment of private fortunes

FROM THE days when the rustle of Arab petro-dollars first began to be heard in the West, the deployment and disposal of private Arab wealth has been a subject of much speculation, some theorising, and often pure fantasy. The publicity about the very few really substantial private Arab investments outside the Middle East, together with a certain degree of wishful thinking on the part of some Western financial managers, has contributed to the growth of the idea that there are vast sums of private Arab money constantly on the look-out for Western investment homes.

Although there are no authoritative statistics published on the outflow of private sector funds from the Arab countries, a realistic assessment gives a different and less dramatic picture. Undoubtedly there is a growing number of individual Arabs who have amassed large personal fortunes. Increasingly, they will look to overseas investment for the exploitation of their assets. But, with some exceptions, the scale of this investment is often considerably less than popularly supposed.

A few very wealthy Arab individuals have formed their own institutionalised investment vehicles. Among the better-known is Triad Corporation of Adnan Khashoggi, whose activities frequently make the financial pages as well as the gossip columns.

Sheikha Badriya al Sabah, the widow of the late Sheikh Fahad of the Kuwait Ruling Family, has her United Trading Group. This group includes a highly successful foreign exchange operation and is a major dealer in gold. Sheikha Badriya, whose reputation for business acumen is almost legendary, has large private investments in Spain and Australia as well as in Europe.

Sheikh Suleiman Saleh Olayan, the Saudi Arabian entrepreneur, runs a diverse stable of companies through his main group holding company Olayan Investments NV, which is registered in Curacao. Dr. Ghaith Pharaon, the son of one of Saudi Arabia's Royal advisers, has built up his Redec Corporation into an international organisation with substantial interests in banking and real estate.

Some private Arab fortunes are genuinely fabulous, although hard facts about them are relatively scarce. Sheikh Jaber al Ahmed, the ruler of Kuwait, Sheikh Sa'ad Abdullah, Kuwait's Crown Prince and Prime Minister, are both reputedly the possessors of enormous private fortunes. The private investments of some of the ruling family in Kuwait are of sufficient magnitude to merit the full-time attention of Khalid Abu Sa'ud, who left his post as Director of Investments in the Ministry of Finance to look after the private financial affairs of the Sabah.

The Dowager-Queen Iffat, widow of the late King Faisal of Saudi Arabia, merits inclusion in the top league of Arab private investors. So does her brother, Sheikh Kamal Adham, one of the late King's closest confidants and a former Royal adviser. But investments of people in the highest echelons of Arab society are never publicised and scarcely ever traceable to the original investor.

Paraphernalia

The management and placement of private Arab money is often carried out on a near-official basis, with all the paraphernalia of technical administrators and advisory boards. Today's potential private Arab investor is more likely to be a successful businessman who has acquired his wealth relatively recently through his own business efforts.

The esoteric refinements of investment and money management will not be unfamiliar to him, nor will his acumen be less than that of the investment manager with whom he might deal. The amount of money he will have for investment will make for a desired and welcome account, but commonly not of a magnitude to electrify the investment manager. The Middle East offices of one leading American bank specialising in investment services report a steady demand for private overseas investment portfolios in the $1m to $2m range; the average Arab investor likes to see some performance before committing too large a proportion of his available funds.

Nevertheless there have been some weighty private Arab investments. Sheikh Nasser al Sabah's Gulf Fisheries' sizeable 15 per cent stake in Lonrho is well-known—although, arguably, it could be regarded more as an institutional rather than a private investment.

Sheikh Mohammad al Bedrawi, of Saudi Arabia, set a precedent in 1976 when his private National Chemical Industries company became the first Saudi Arabian company to take control of a UK concern with the purchase of the engineering firm Beyer Peacock. A year later Sheikh Bedrawi's company bought out the Concrete Group of the UK for £11.5m. Both investments were made to match the industrial and technological requirements of National Chemical Industries' operations in Saudi Arabia.

Arab private investors are the majority shareholders in the Allied Arab Bank in London, the phoenix that rose from the ashes of Edward Bates merchant bank. Among the leading shareholders is H. E. Mohammad Mahdi Tajir, the United Arab Emirate's ambassador to the UK and reputedly one of the world's richest individuals; Sa'ad Jaber, who has close connections with important Saudi Arabian interests; and Ibrahim Shaker, of a leading Saudi Arabian merchant family.

The privately owned Saudi Arabian Investment Company, whose chairman is Prince Mohammad bin Fahd, a son of Crown Prince Fahd of Saudi Arabia, caused a stir in Wales by forming a consortium with the Welsh Development Agency to set up HG Tubes. It was the first and, until now, the only Arab investment of any consequence in Wales. Again, the rationale of the investment relates to the company's potential as a supplier to the developing markets in the Middle East.

Harb al Zuhair, a successful Saudi Arabian businessman, is another who has taken the path into industrial investment. One of his industrial investments in Europe was to acquire control of Omega Engineering in the UK. Mr. al Zuhair is in the happy and sensible position of being both the exporter of the company's products from the UK and the importer into Saudi Arabia.

In earlier days, Arab private-sector investment tended to be confined to real estate, bonds, and gold. These areas continue to be most often chosen, with property investment particularly favoured. The purchase of a house or flat is commonly the Arab's first essay into UK investment, although such purchases are usually made for reasons of personal and business convenience rather than purely for investment purposes.

Examples, albeit on a rather grand scale, are the house in Hampstead bought by members of the Saudi Royal Family, the extensive country estate owned by Sheikh Zayed, the Ruler of Abu Dhabi and President of the UAE, and Mereworth Castle, bought by Mr. Tajir.

Fashionable

But the majority of Arab property owners are to be found in the fashionable residential districts of London. Arab private investors have, in general, been inclined to follow the pattern of Arab government investment overseas. However, there is now a move by private Arab money to follow the examples set by such as Harb al Zuhair and Sheikh al Bedrawi, with investments in industrial enterprises.

As well as the desire of the wealthy individual to spread his investment risks, there are several factors which are bound to increase the flow of private Arab investment money into the developed countries. Since the overthrow of the Shah of Iran, the armed siege in Mecca last year and the Shia disturbances in the eastern province of Saudi Arabia, the uneasy political climate is widely recognised. It is seldom openly admitted or discussed but private confidence in the future stability of the region, particularly in the Gulf States

CONTINUED ON NEXT PAGE

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ARAB BANKING IX

Traditional attitudes among customers

"THERE ARE no 'Belgian dantists' in the Gulf," said one local banker recently, referring to the classic type of middle class investor whose activities have so much encouraged the growth of the Euromarkets. "The same kind of wealth exists here, but it sits passively on deposit. Its owners haven't provided much incentive for an Arab investment banking system."

Nor have Arab banks wasted too much time trying to change this state of affairs. There have been attempts to launch money and capital market investments, most notably the Kuwaiti dinar bond market but also, for example, certificates of deposit in Kuwait and the UAE. But individuals have shown little interest.

The Arab fondness for tangible assets — whether buildings, gold or more exotic investments like stamps or gems —has been a formidable obstacle even where individuals have taken a nervous decision to do anything more than run a deposit account. And such is the preoccupation with safeguarding the principal of a capital sum, to the detriment of much thought about current yields, that this decision is less common than is often supposed in the West.

Salesmen

At the lower end of the scale, bank customers with $10-100,000 still seem generally content to leave their money on current account or short-term deposit. Waves of Western securities salesmen — and even saleswomen, attending Gulf ladies' tea parties—have made remarkably little progress in converting them to the joys of bond or equity portfolios.

This is not altogether surprising, perhaps in view of the poor returns which many of these have returned in recent years. Meanwhile, the local commercial banks have seen a great increase in retail business, where simple account transactions can be extended into social occasions — something which accords far better with many customers' requirements.

It was the Arabist traveller Wilfred Thesiger who years ago observed "Bedu love money; even to handle it seems to give them a thrill. They talk of it incessantly." Most commercial banks in the Arab world — and especially the Gulf — still have to hold court each day for troupes of customers with less interest in remote paper markets than in the cash positions of their friends, to be discussed for hours among the tea trays and coffee cups.

This remains an obvious but nonetheless fundamental feature of the place of commercial banking in the Arab world. Some observers ponder the implications of this for recent moves by some U.S. banks to introduce modern electronic banking.

There are fewer doubts about the benefits to the traditional banks like National Commercial Bank or the National Bank of Kuwait (NBK) which have accommodated the feature with a broad expansion of their retail networks — NBK now has 37 branches. But they have hardly been encouraged by it to press investment services on their customers.

At the upper end of the wealth scale there is similarly scant encouragement for the Arab banks to develop their investment facilities. Among the younger nouveau riche, there is a little inclination, or indeed need, to save and a marked preference for conspicuous expenditure. Older Arab businessmen and merchants with large sums to invest abroad will turn to the foreign banks which can offer them the necessary expertise and market guidance; their investments have been a very lucrative source of income for some Western equity and gold brokers over the last year.

This use of foreign banks is also motivated in some instances by a desire for more privacy than is always available at Arab banks. Indiscretion about a customer's account is in many Arab states illegal. But such is the intensely personal nature of Arab society that few wealthy depositors will rely upon the law to keep the latest news about their account out of the marketplace.

And there is the additional complication of the family ownership of many banks: few big merchants are happy to disclose their financial dealings to an Arab bank with a small number of powerful shareholders but no connection with his own family.

But the use of Arab banks by rich Arabs is anyway constrained most seriously by the paucity of domestic opportunities for wealthy investors, unless they chose to embark directly upon the establishment of their own full-time businesses. This is not to say that more would not like to keep their fortunes nearer to home. The massive over-subscription for new share issues in Gulf companies floated last year attests to this—as also the very heavy trading on the Kuwaiti stock market from time to time. (One participant estimated the daily turnover in the early part of this year's Ramadan at about $350-500m equivalent.) But both phenomena equally attest the lack of alternative domestic opportunities.

Attempted

Some Arab institutions have attempted to tap these sources of private capital—and the cash holdings of the less wealthy, too—with a view to funding discretionary investments both at home and abroad. But the Bahrain Investment Company, for example, has found it hard going. Progress has also been slow with attempts to launch mutual funds in the Gulf, though efforts in this direction by the Euro-Kuwaiti Investment Company and KFTCIC in Kuwait are being watched with interest, if little enthusiasm, by the commercial banks.

Their lack of enthusiasm is understandable. The social forces in the Arab world which work against the development of investment banking often work at the same time in favour of a very profitable commercial banking sector. The cheap funding available from huge local currency deposits offers the Arab banks a strong advantage, in particular, against their foreign competitors.

It is an advantage they have been slow to press. But this is changing. The new sense of direction in Saudi banking, the award of mandates like the recent £300m credit for Bahrain to Arab lead managers, the increased trade financing by Arab banks and their growing involvement in credits for local companies like ALBA in Bahrain or Al-Babtain in Kuwait—all are firm indications of the change.

But the change remains heavily weighted towards commercial rather than investment banking or the promotion of equity participation aimed at internal development. And most of the Arab banks with investment titles—like the Saudi Investment Banking Corporation in Riyadh or the three Ks in Kuwait—are similarly either more involved domestically with loan syndications and other commercial banking activities or else are looking primarily outside the Arab world for their investment banking business.

One institution which has so far acted in many respects like a commercial bank but which fully intends to play a more genuine investment role is the Arab Petroleum Investments Corporation (APICORP).

Established within the framework of OPEC and based in Saudi Arabia's Eastern Province, APICORP has made substantial progress with its aim of promoting the Arab hydrocarbons industry and had "project investments" of SR 493.2m ($148.6m) at the end of 1979.

Of this amount, SR 337.7m ($101.7m) comprised syndicated loans. And if opportunities do arise for APICORP to participate in the kingdom's petrochemical industry in the next few years—which it has yet to do—this seems most likely to be in a commercial banking capacity. Nevertheless, APICORP did also show a portfolio of project-linked bonds and equity participations worth SR 145.4m ($43.8m) at the end of last year and has indicated its intention of increasing these direct equity investments.

This it should easily be able to do, giving its existing involvement with a number of proposed Arab joint ventures for which APICORP has already undertaken much of the preparatory work.

The other major kind of quasi-commercial banks which have gone some way towards increasing the Arab commercial banks' investment role—and which have largely accounted in Saudi Arabia for the limited domestic role of APICORP to date—are the specialised credit banks which offer loans at less than commercial rates. Industrial Bank of Kuwait (IBK) is one of the most successful of these banks and has now received a second KD 100m loan facility from the Government of Kuwait to expand its loan portfolio.

Both these latter categories of "commercial" bank are primarily or entirely financed by Government funds, however. This points again to how much has yet to be done—on both sides of the relationship—between the Arab banks and the Arab private sector if the banks are ever going to take up a more significant role in investing surplus wealth in the development of the Arab world.

D. C.-S.

Fortunes

CONTINUED FROM PREVIOUS PAGE

and Saudi Arabia, is at a low ebb. Fears of a super-power confrontation in the Middle East are an ever-present concern.

The heavy Arab purchases of gold a few months ago were a direct reflection of that lack of confidence. Outflows of private capital from the Gulf and Saudi Arabia reached substantial proportions. In such an atmosphere the attractions of overseas investment become powerful.

Another factor which will pull more private Arab money into Western investment channels is the acute shortage of local investment opportunities in the oil-producing countries. The major development projects in the region are practically all Government-funded, with little or no place for participation by private investors. Recently, however, the authorities have recognised this omission and have begun to set aside equity portions of their big projects for public participation.

One recent indication of the extent of private investment pressure is indicated by the huge over-subscribing by Kuwaitis for offshore Gulf companies. Only Kuwait has an official stock exchange, where less than 40 securities are listed and dealings have hitherto been restricted to Kuwaiti companies. The Kuwaiti authorities have just issued new listing rules which would allow foreign companies to be listed but the conditions laid down are so strict that very few foreign companies will qualify.

In the rest of the Gulf States and in Saudi Arabia, private investors must deal on the unofficial market, but opportunities are very scarce.

Just as there are many conduits through which private Arab investments are funnelled, so there is a wide geographical spread to those investments. Individual preferences and predilections have taken private Arab investments all over the developed world. Switzerland is probably the largest single refuge for private Arab funds, but France, West Germany and the Netherlands all have their Arab investment devotees. London's paramount position as a world financial centre and its capacity to deal in almost every conceivable form of investment, is a major attraction for private Arab investors.

John Christie

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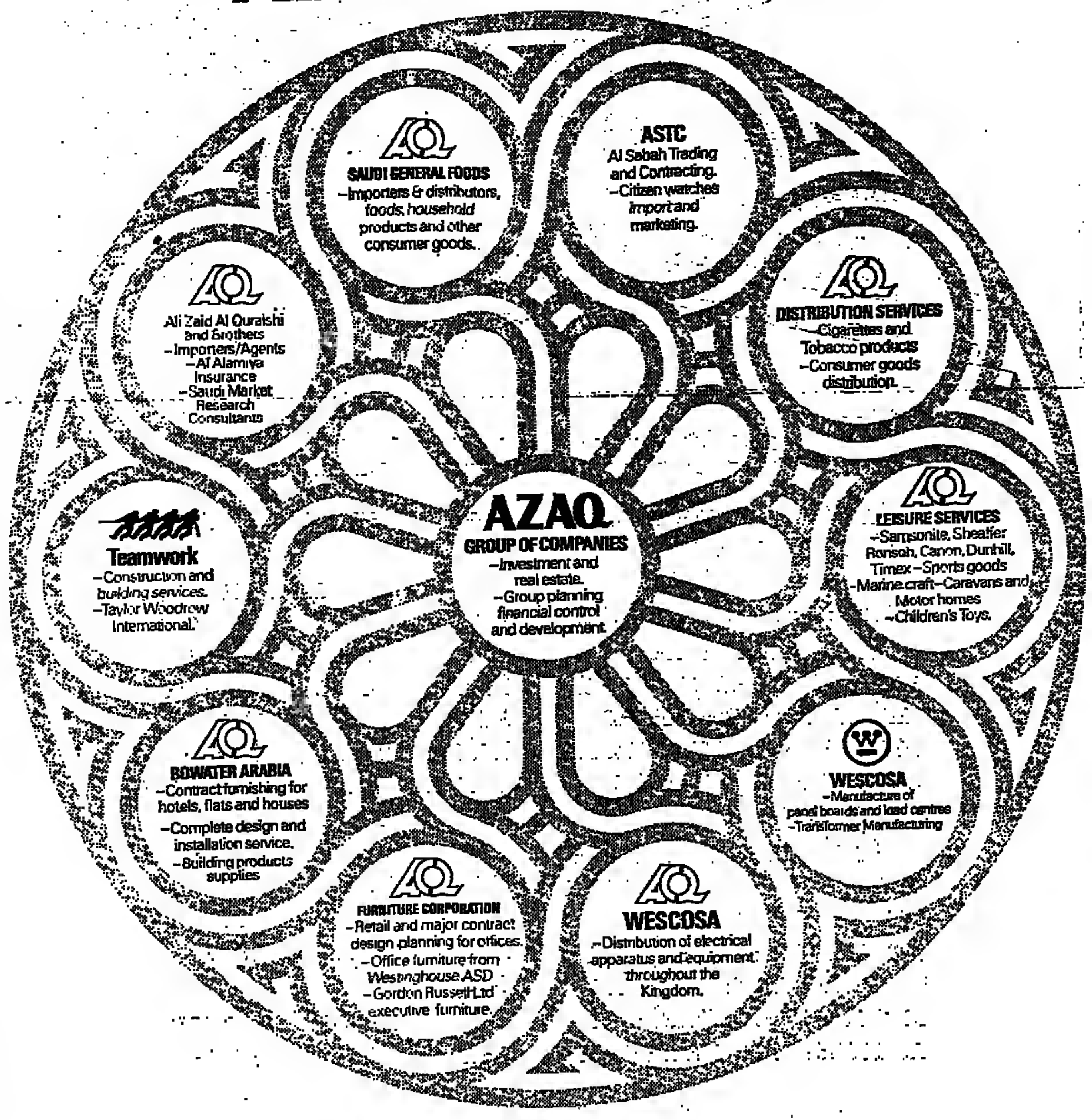

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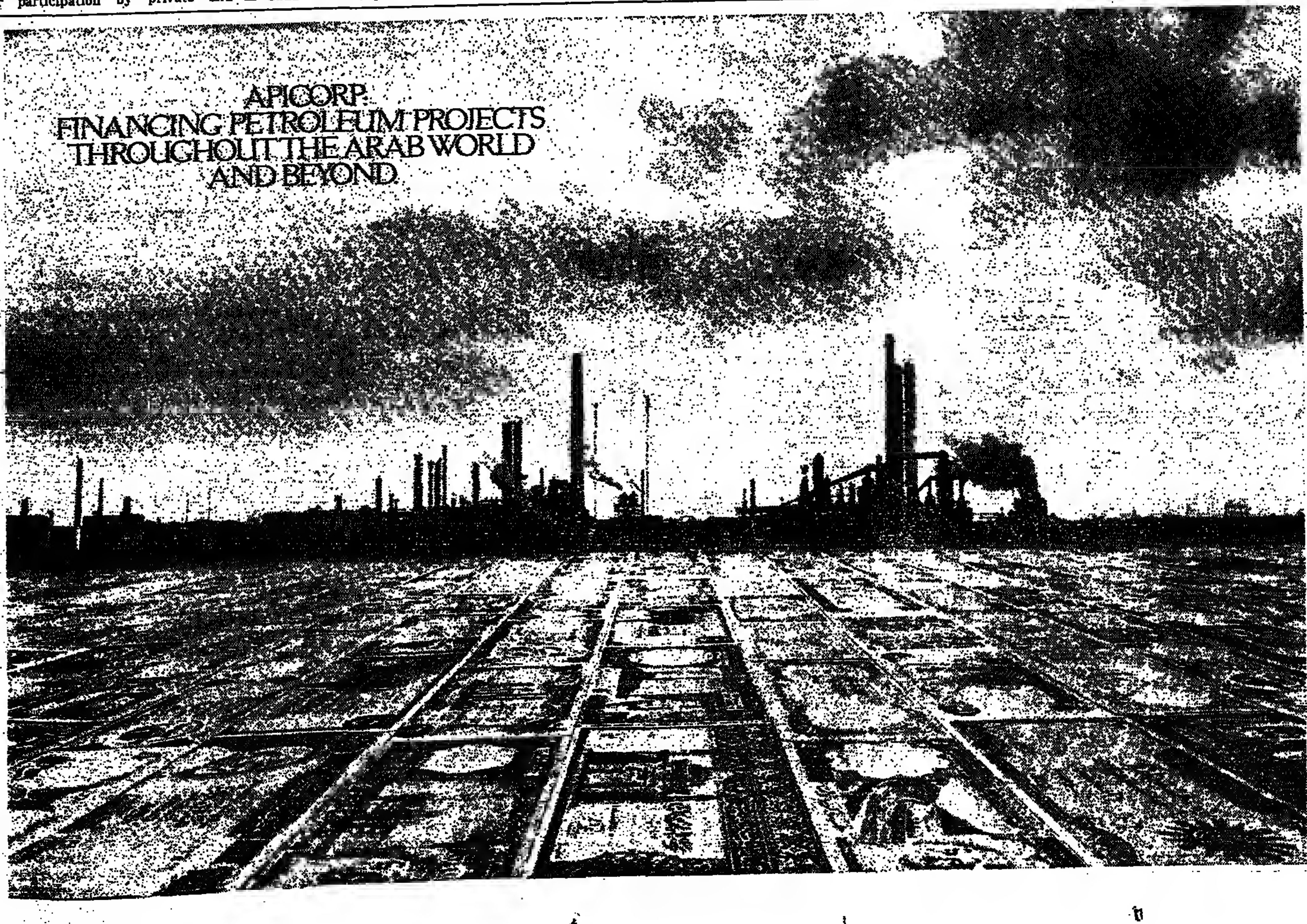

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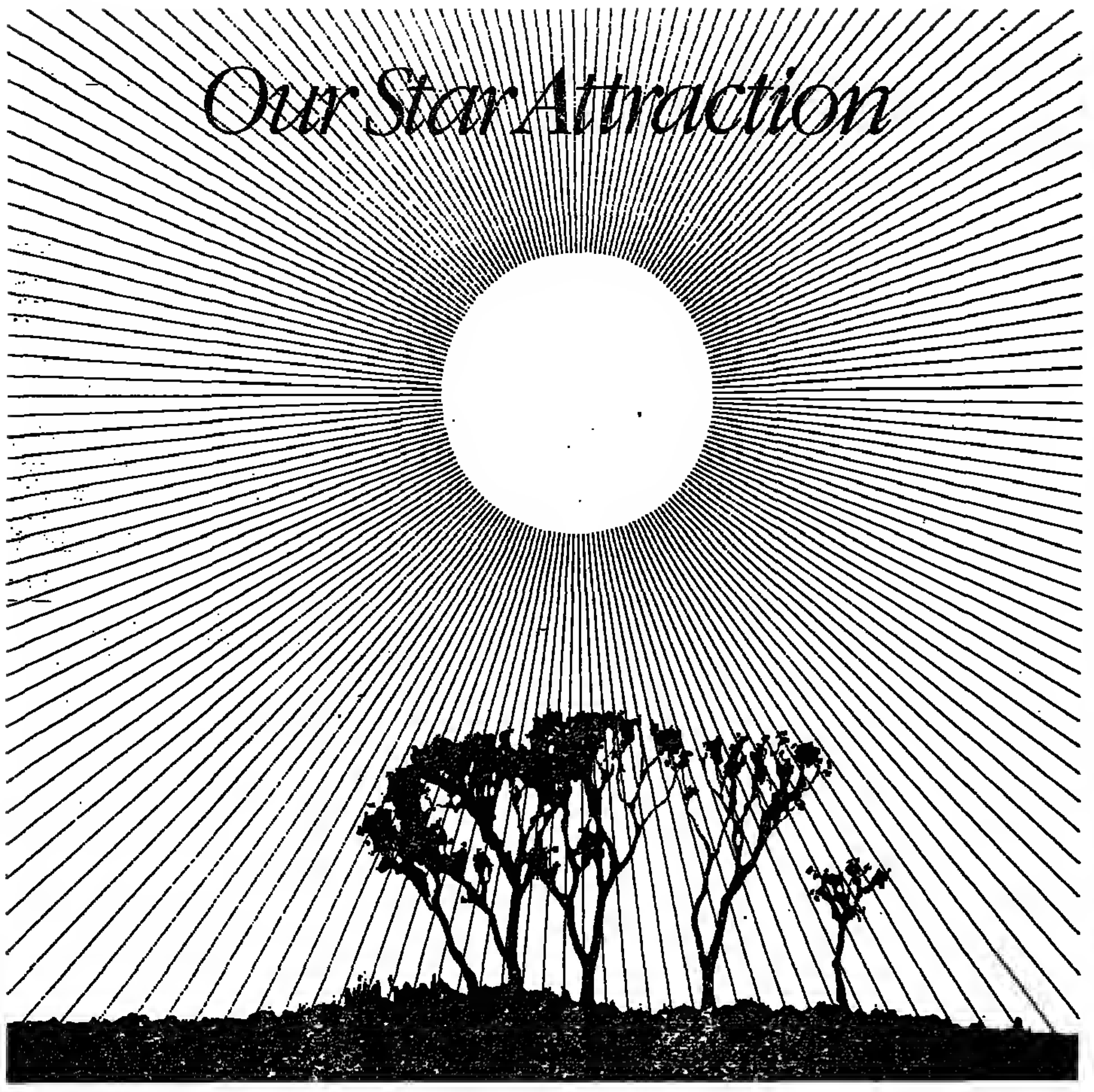

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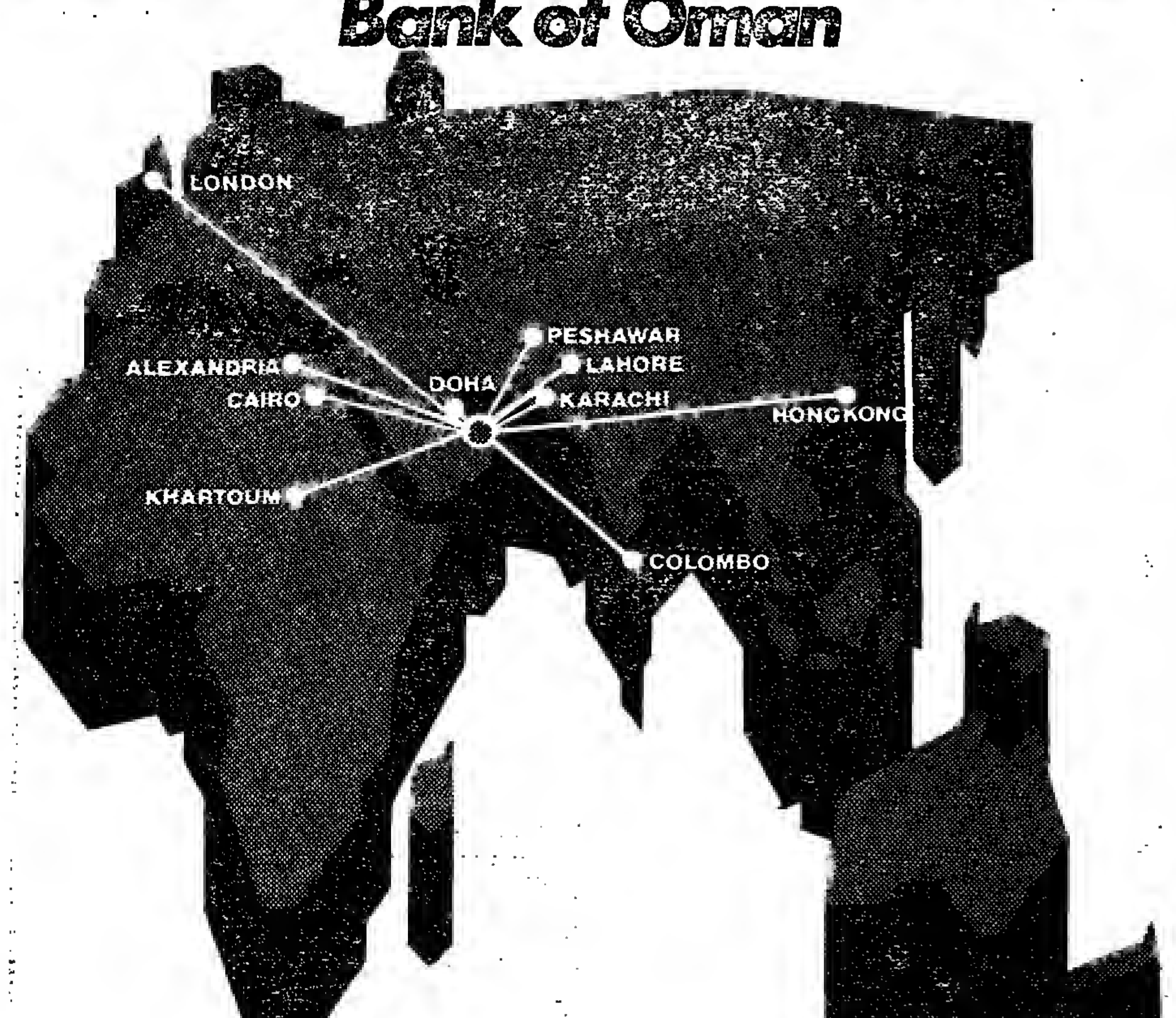

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ARAB BANKING X

Disillusion sets in as Arab investment ideal is checked

IT HAS been said that the trouble with intra-Arab investment is that the rich countries don't need it, the socialist countries don't want it and the bankrupt countries can't use it. That is an exaggeration, but it does sum up the current disillusionment about an idea which was commenced with high hopes and considerable idealism.

The original idea, as developed by the Kuwaitis before the 1973-74 oil price rise and since expounded more fully by others, was that the proper place for the rich Arab states to invest their surplus wealth was in poorer Arab countries. The Arab OPEC states with large surpluses see themselves as developing countries temporarily enjoying substantial liquidity. Behind the neat theory was a genuine idealism aimed at reviving the Arab world after a century or more of humiliation by the West.

In the world at large, developing countries with an outside investor remitting or planning to remit profits could hardly be said to be on the increase. Many governments have either set themselves against it or are suffering from the legacy of a predecessor which did so. What is remarkable in the Arab world is the relatively large number of projects involving outside investors which have got going in the past few years, sometimes in countries which until 1973 were sternly opposed to the very concept.

The fact that investment may be available from outside has led several countries—notably Sudan and Egypt—to reverse official policies on foreign investment and hence their whole economic orientation.

The fact that most of the capital and some of the management for new investments in the poorer Arab countries comes from other Arab countries has not necessarily made it more palatable than if it had come from Western countries. Indeed, the opposite may be the case.

Even within those poorer Arab countries which officially attract foreign investment, the more realistic officials will probably admit that they have received as much investment as they were prepared to welcome and which the state of their economies made possible. The bulk of Arab surplus funds goes to the Western countries, investing there or in real estate at home is far simpler, and the return is often better than investment within the Arab world. The efforts of other Arabs to get projects going in their fellow Arab states are therefore all the more remarkable.

This category does not include people like Adnan Khashoggi who is mainly concerned with making commissions on trade and arms deals between the West and the Arab states. It covers concerns like the Kuwait Foreign Trading Contracting and Investment Company (KFTCIC), or The Arab Investment Company (TAIC), based in Riyadh, which have lavished time, attention and money on getting the Kenana sugar project in Sudan going, and a number of smaller investors from the private sector.

Surplus funds

The Arab states can be broadly divided into three investment categories. First, there are the capital-rich, free enterprise countries which have the surplus funds to invest elsewhere, such as Saudi Arabia, Kuwait, the United Arab Emirates and Qatar. Then come the socialist countries which do not want foreign investment. Some of them are rich—Iraq, Libya and Algeria; while two of them are poor—South Yemen and Syria (the latter having until recently appeared receptive to investment). In the third category are those countries which officially attract investment: Morocco, Tunisia, Egypt, Sudan, Lebanon, Jordan, North Yemen, Bahrain and Oman. It is to these countries that the limitations on outside investment apply.

The first limitation is economic. With the exception of the expanding oil-based economies of Oman and Bahrain, these states' economies have had mixed fortunes since the 1973-74 oil-price rise. Most of them have experienced fairly fast growth, by the standards of other developing countries, thanks to a reasonable inflow of Arab aid mainly for projects and the remittances of expatriates who have gone to work in the richer Arab states.

But growth has had its side effects: the physical infrastructure of several countries has been found to be quite inadequate; at least one state—Sudan—has found it has not had enough foreign exchange to pay for routine imports of fuel and spare parts; and many of the best skilled workers, administrators and managers from these countries have gone to work in the oil states. These all limit the amount of investment that can be absorbed.

The other limitation is less tangible. While several of the states officially attracting investment were doing so before the 1973-74 oil-price rise, others—notably Sudan and Egypt—had been run on distinctly socialist lines, in Egypt for the best part of a generation. Well drawn-up (or, in many cases, badly drawn-up) investment codes were obviously of some help in attracting the investor; but investors also needed the active encouragement of state bureaucracies in getting projects approved and started.

Kenana project

In Sudan and Egypt this was rarely possible, even where the head of state was heavily committed to the project personally, as in the case of President Nimairi and the Kenana project. Bureaucrats had no particular incentive to push projects through; they were not by nature inclined to ease difficulties, and in Egypt, in particular, bureaucrats could see that if foreign investment were successful it would spell the ultimate end of the orderly-looking if inefficient State-controlled economy they had run for so long.

These difficulties were compounded because investors have frequently had to go into partnership with government, and use State-owned institutions for banking, transport and other facilities. Here the bureaucratic mentality also prevails, and staff lack the personal commitment and the profit motive to push things through, or are simply not skilled enough to do so.

Many a development project has either been slowed down or else scared away altogether by the State-run railway system in Sudan or the nationalised corporations in Egypt. For in both countries, a slender edifice of capitalism is being erected on an almost incompatible but still durable socialist base.

The director-general of The Arab Investment Company, Mr. Abdul-Rahman al-Sai, who is unfortunately now leaving for another post, believes that a major role of intra-Arab investment is to improve the efficiency of Arab economies by forcing them to reform their administration and philosophy.

By bringing what he calls "the discipline of development" to the Arab world, he believes he can do it a service. He also believes that for this reason, states such as Iraq and Algeria, which say they do not want or need outside investment, ought to have it—just as much as Syria and South Yemen, which have turned their back on economic realities to pursue their barren strategies to the bitter end. These and other countries like Sudan, which are still not pushing for reforms, will eventually "strangle themselves to death," he says.

TAIC, which is owned by 15 Arab governments and has a paid-up capital of $290m, has under Mr. al-Sai waged a discreet war of attrition against the dogmatism and sloth of many Arab governments. It insists on good feasibility studies, application of strict economic criteria (though it may be prepared to settle for less than the maximum financial return), and opposition to corruption in the schemes in which it takes a stake.

Among its successes, it can point to the Asment de Tamara cement project in Morocco and Ciment Amiante Tunisie, in Tunisia. Kenana, which produced its first sugar earlier this year, has turned out several times more expensive than first envisaged. But it stands a chance of becoming profitable thanks to the greatly improved sugar price. It has also taught some important lessons and demonstrated new management methods to Sudan.

Oil pipeline

KFTCIC, 85 per cent owned by the Kuwaiti Government, has, along with Saudi Arabia and some Sudanese institutions, put up $157.7m in a successful capital increase operation by Kenana earlier this year. The Kuwaiti concern operates on similar lines to TAIC, and has a string of projects round the Arab world. One of the most important is the SUMED oil pipeline across Egypt. Like TAIC, KFTCIC has found Jordan and Tunisia the two countries most receptive to investment, as one might expect from states run on free-enterprise lines and accustomed to living off their wits.

But neither of those countries has unlimited capacity to absorb investment given the size of their economies. The big prize remains Egypt, with its vast potential market, sophisticated labour force and geographical advantages.

Despite Arab grumbles about its bureaucrats and the fact that it is now officially subject to an Arab economic boycott which means state organisations from other Arab countries cannot initiate new projects, it is surprising how much investment has gone into it. Much has been invested in real estate of different kinds, from hotels to private bolt-holes for rich Arabs. There are also transport companies and minor manufacturing factories using private Arab capital in collaboration with the revived Egyptian private sector. Indeed, hotels and real estate are popular investment outlets for the rich Arab states in other Arab countries.

Arms industry

With the collapse, thanks to the boycott, of the remarkably advanced Egypt-based arms industry, the Arab Organisation for Industrialisation, the number of successful intra-Arab concerns is diminished. Some of the more successful are described in an accompanying article. But one big disappointment so far has been the portentously named Arab Authority for Agricultural Investment and Development (AAAID), an off-shoot of the Kuwait-based Arab Fund for Economic and Social Development (AFESD), charged with developing Sudan as an agricultural exporter.

It is generally accepted that AFESD's plan to make Sudan into the "breadbasket of the Arab world" was far too ambitious for the time-scale envisaged. The AAAID only got underway in 1978 after lengthy behind-the-scenes wrangling, but it has a very substantial paid up capital of KD 150m ($560m).

Yet it has not commenced any projects and those currently under consideration are small-scale schemes in such fields as poultry and eggs. AAAID's capital would permit investment in large new schemes in Sudan, to take capital in big existing ones (it came close to investing in Kenana but finally did not) and could even help Sudan finance the rehabilitation of its existing run-down agricultural base. But it has done none of these, because of management weakness and poor relations with the Sudanese Government. So far it is a missed opportunity in intra-Arab investment.

But Mr. Abdul-Rahman al-Sai would caution against excessive disillusionment. Much has been learned, organisations have discovered how to work together, and the sheep have to some extent been sorted from the goats.

James Buxton

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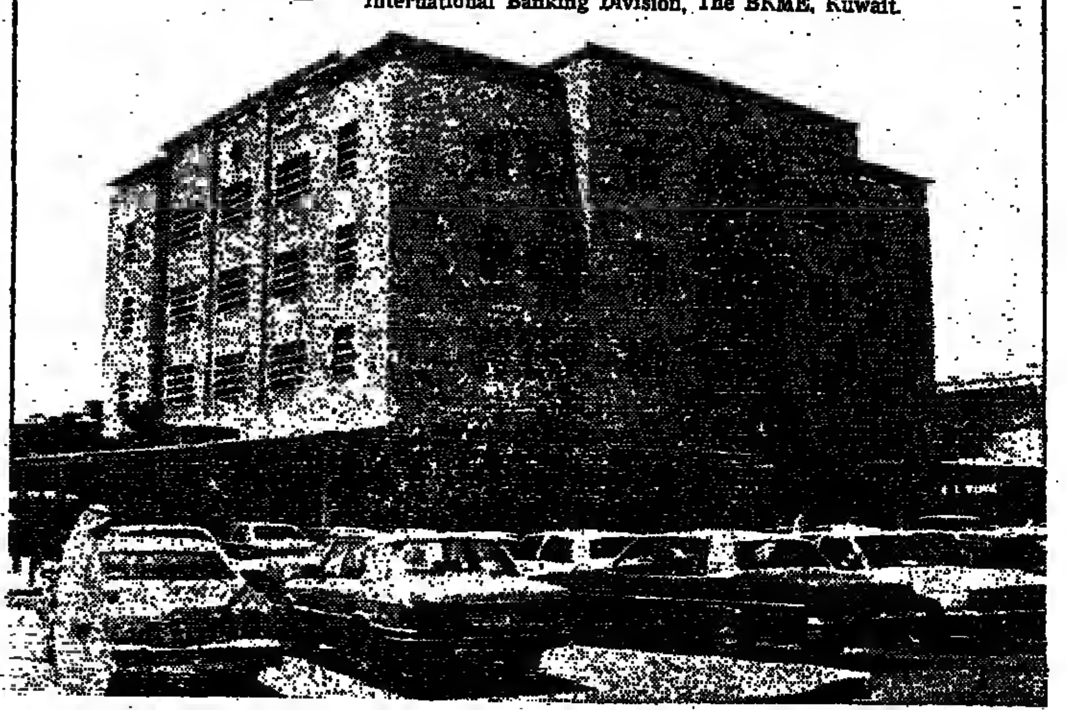


Half of Saudi money supply lies in Bahrain . . .

IN A COUNTRY where there is no Government debt except to future generations, and where the attitude to borrowing is heavily influenced by religion the banks are bound to play a somewhat different role from that understood in the West.

In Saudi Arabia, this role remains a comparatively minor one. In May, 1980, the last month for which Saudi banking figures are available, as much as half of the Saudi money supply was out of the country — in Bahrain.

The Saudi financial world remains highly contradictory. Despite the vast surplus generated by the State, which is likely to exceed $30bn this year, the market has been subject to periodic droughts in liquidity for the past two years as the Government curbed its spending. Meanwhile, despite the real public and private distaste for the charging of interest, "commission" rates have been into double figures for best customers and are still in the range of 8-10 per cent.

Many merchants and small contractors still prefer to finance their businesses either from operations or on the basis of "wejh" (face), where money is lent on trust against future purchases from the lender, as a bride-price or simply as patronage.

Many Saudis, too, tend to eschew the Hadhramis of National Commercial Bank when they can profit from royal largesse, which has been partly formalised in six state credit institutions.

These state funds are finding it hard to redeem their loans, even at the exceptionally generous schedules they offer. After all, every Bedouin contractor or real estate speculator knows his debt of, say, 250,000 Saudi riyals is but a drop in the ocean of State wealth. Even industrialists, who can cover half the cost of their factories from the Saudi Industrial Development Fund, have been known to cry "usury" at the Fund's commission of around 2 per cent and refuse to meet repayments.

Happier

Equally many Saudis feel happier with the more traditional money-changers who run their establishments in the heart of the souk and are open in the evenings. The bulk of their business is foreign exchange movement and money transfers for the 2m immigrants and the highly mobile rural labour force: Al Rajih, the biggest operator of them all, could compete with any bank for speed.

The larger moneychangers also make advances to their neighbours in the souk and enjoy a competitive edge on the registered banks since they are not subject to reserve requirements — or indeed any recognisable regulation except tradition and Islamic law.

Since 1952, the Saudi banks have been subject to the regulatory arm of the Saudi Arabian Monetary Agency (SAMA). With its institutional memory of the crisis in the Kingdom's finances in 1958-60, of the near-collapse of the Riyadh Bank in the mid-1960s and, more recently, of the chaos in the lower Gulf in 1976-77, SAMA has attempted to restrict the Saudi banks closely.

However, the Banking Control Department of SAMA has none of the powers that its equivalent at a Western central bank might enjoy. Since it cannot charge interest, it cannot operate a "discount" window to alleviate shortages of liquidity. Nor has SAMA dared to regulate interest rates, attempt exchange control or until lately, express its concern about arbitrage actions by action more severe than a jigging of the exchange rate to catch out banks taking positions.

It continues, however, to insist that banks lodge half their deposit liabilities interest-free once they exceed 15 times their capital. This has proved particularly galling for the Saudi banks since deposits, on which only the tiniest commission need be paid, are the chief source of bank profits.

Not surprisingly, with profits so intimately linked to capital, when SAMA announced in 1977 that no bank could increase its capital or open new branches without selling 60 per cent of its stock to Saudis, all 12 of the non-Saudi banks were obliged to begin negotiations. To date, six of the foreign banks have been "Saudised" and even Citibank, which dug in its heels, has been obliged to give in to protect its most profitable operation outside the U.S.

A share issue to raise the bank's capital to SR 300m was greatly oversubscribed. This was inevitable since the shares were offered at present value and took no account of the vastly enhanced value that would follow the lifting of SAMA's constraints.

The high reserve requirements also hamper the Saudi banks in competition with Bahrain, where the monetary agency sets no such ratios. The interest rates in Bahrain respond directly to the market, while in Saudi Arabia, the banks cannot change their commissions too often without risking complaints that they are charging interest. Above all, they have found it hard to follow world interest rates upwards without causing an outcry, in which borrowers have all the arguments of tradition and religion on their side.

At times of high world interest rates, as in the past two years, the flow of funds from Saudi Arabia has amounted to a haemorrhage. A large offshore riyal market in Bahrain, which constitutes some 20-25 per cent of total offshore business there, reduces SAMA's ability to control the money supply and, ultimately, domestic inflation.

Concerned

SAMA has been sufficiently concerned to take steps on both fronts in the past year. Last autumn, the Government ceased denominating public sector contracts — the pre-eminent source of liquidity — in Saudi riyals in favour of dollars. This move was designed to curb the offshore riyal market, since contractors with dollar expenses would no longer need forward cover in riyals.

In the past year, too, SAMA has gradually reduced its reserve requirements from 15 per cent on all deposits to the present 7 per cent on demand deposits, and 2 per cent on time and saving deposits.

Neither action appears to have had much effect. Liquidity has improved, but this is primarily because, with the onset of the new five-year plan, the Government is again awarding contracts. Bahrain continues to prosper and one suspects there must be real deficiences in the Saudi banks that extend beyond the troublesome regulations and the problem of interest.

The market in Saudi Arabia is dominated by two colossi: the National Commercial Bank, founded in 1938 from the money-changing operations of the Kaki and Mahfouz clans, and the Riyadh Bank, started in the 1950s to serve the Nejd and Eastern Province, where NCB was weak. Accounting for some 60 per cent of deposits at around 120 branches—NCB's total balance sheet is now $13bn—they dwarf the foreign or joint-stock banks that have opened in the kingdom since the 1920s.

Grounded as the banks were in foreign exchange activity and financing for wholesale importers, their scope remains fairly limited. According to SAMA's 1979 figures, trade-financing still took the lion's share of commercial bank credit, with 33.9 per cent. Finance for construction, chiefly in the form of bridging loans to contractors and the short-term commercial loans on which the SIDF insists, made up 21.9 per cent of the total.

This was some 3 per cent below the previous year's total and indicated clearly how dependent the banks remain on Government disbursement. State spending has now picked up and NCB recorded an impressive SR 600m profit last year; spending is likely to continue at a high rate over the next two years, as contracts are awarded for the new projects in the third five-year plan.

Certainly, the banks are much better placed in terms of capital than in 1975, the start of the second plan. The joint-stock banks, too, have moved swiftly to ten new branches to garner deposits. The Saudi-British Bank (formed out of the operation of the British Bank of the Middle East) now has ten.

Constraints remain, primarily in the absolute shortage of skilled bankers and their reluctance to lend beyond the short term. Loans and investments are growing and stood at SR 28bn in February: but they remain a relatively small proportion of total activity. For the immediate future, the State institutions will carry most of the longer-term burden.

James Buchan

. . . whose offshore units are a local magnet

BAHRAIN LAUNCHED its offshore banking sector in 1975. Its growth since then remains one of the most successful aspects of the modern development of the whole Middle Eastern economy.

Today, the sector's total assets exceed $31bn and there are no less than 54 offshore banking units (OBUs). Accounting briefly for this number is not easy, and there appear almost as many raisons d'etre as there are OBUs.

Some are attracted primarily by the corporate banking needs of the region. Gulf rulers are no longer short of cash, as a few were in the late 70s. But local companies like Kanoo, ALBA, Olayan or Emirtel present a growing demand for a range of banking services, and many OBUs concentrate their activities on the running of a short-term loan portfolio in the Gulf, Saudi Arabia and the Levant.

The local deposits of these customers provide another conduit, too, for the passage of oil-revenues away from the region into the world banking system. Precisely how much corporate deposits contribute to the funding of the OBUs is impossible to say. Certainly they must be more important than deposits placed directly in Bahrain by the oil-surplus State Treasuries. These have always been disappointingly small. But both categories of deposit together account for rather less than 30 per cent of total funding.

Centralise

The fact that these deposits are a direct part of the recycling process reflects the geographical sweep of the OBU's operations. Loans from all over the Middle East are booked and funded in Bahrain by many of them. They find it cost-effective to centralise the administration of the loans in one centre, which Bahrain can provide because of its good communications, convenient time zone and ready supply of skilled staff.

But Bahrain's advantages go further than this. The OBUs need pay no taxes and are exempt from all reserve requirements. For some international banks, particularly the U.S. majors, it is therefore an ideal booking centre for multi-currency loans arranged, perhaps, in North Africa or the Far East.

Until recently, Citibank's OBU had a limited marketing operation locally and did nothing in Saudi Arabia, where another Citibank branch operated until July this year. Nevertheless, this OBU has assets of around $3bn because it is used to book Citibank loans out of 38 different countries.

The Bahrain Monetary Agency's latest analysis of OBU liabilities shows $21.2bn located in the Arab countries, with $7.1bn in Western Europe and $3.5bn elsewhere.

But it would be misleading to present Bahrain as simply a booking centre for these loans. The funding of international portfolios has made the country an important centre in the global interbank market. It takes its cue from Singapore in the mornings, and is now large enough to ensure that its relationship with the huge London market is not entirely one-way: Bahrain affects the London market's opening bids and carries the structure of world rates through the West's weekend.

Interbank funds (including loans from parent banks) make up slightly over 70 per cent of the OBU's liabilities. Borrowing from other OBUs account for less than one quarter of these funds. The market relies heavily on banks outside Bahrain—and this points to another motive for establishing an OBU. Major Gulf participants in the broader interbank market are the national banks of the Arab oil-surplus states.

Dealing with NCB, NBK, NBAD and the other leading indigenous commercial banks provides an important contact with OPEC funds for several major banks from South America, Asia and the Far East. Their OBUs are used to fund loans made at home by the parent banks.

Asian and Far Eastern banks are also prominent among those OBUs chasing new business among the expatriate workers of the Gulf outside Bahrain, handling their remittances home as well as hoping for corporate business with the Asian and Far Eastern companies which are beginning to follow the individual workers out to the region. Among the most recent OBU arrivals are the Bank of Baroda and the Philippine-based Allied Banking Corporation.

Admitting OBUs from India and the Far East during 1980 has been consistent with the new guidelines of the Bahrain Monetary Agency (BMA). These were announced after the July-December 1979 moratorium on additions to the sector, which allowed a breathing space to review its operation. OBUs will now be licensed for those applicant banks based in areas of the world so far held to be under-represented.

The firm direction of the BMA in this matter is typical of its leadership role in Bahrain. The original architect of the OBU sector, Mr. Alan Moore, had handed on the office of Director-General of the BMA long before his final departure last December. His successor, Mr. Abdullah Saif, is respected by the banking community and heads an accessible team of officials who work, as he gently insists, "on the principles of pragmatism and moral suasion."

This is one source of an optimism among the OBUs which is unlikely to be much shaken by the withdrawal, should it happen, of one or two less successful competitors. Most bankers in Bahrain concede readily enough that the number of locally active and profitable OBUs probably does not much exceed 20. There are also those who stay in Bahrain for various reasons, among which a contribution to parental profits does not yet figure prominently.

This still leaves possibly rather more than a baker's dozen who must balance the intangible advantages of a presence in Bahrain against the net cost of remaining there. Conceivably, there are a few who, while not wanting much to be the first OBU to close, are happily anticipating the pleasure of being the second or third.

Staying out of the latter's company, say the successful OBU bankers, is a matter of avoiding an exclusive dependence on any one area of OBU operations and of adjusting promptly to new business opportunities which appear and are then superseded with some speed in the Gulf's changing markets.

Foreign exchange trading, for example, was once an important money-spinner. Bahrain's creation of forward exchange markets in Gulf currencies was valuable contribution to the development of the region's economy. Today, the daily volume of the exchange markets remains high but margins are tight and the available profits limited.

Exchange

Consequently, the majority of OBUs trade currencies primarily to provide cover for their commercial lending activities.

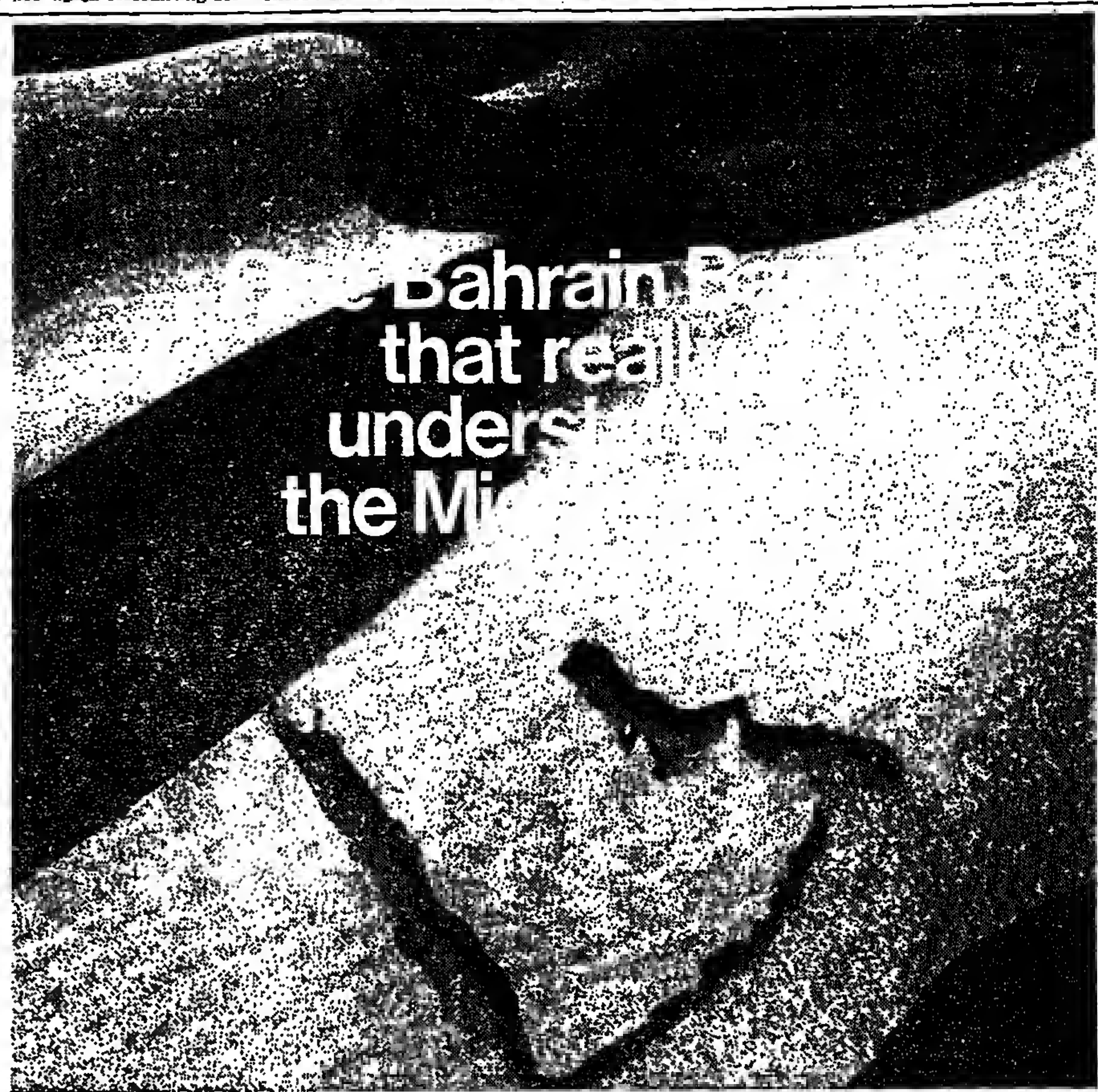
Kuwaiti dinar trading has been much reduced, along with a decline of interest in KD bonds. Trading turnover in Saudi riyals, averaging $50-100m daily, is much below the levels of twelve months ago.

The potential of the Saudi market is undoubted, despite all the talk of fiercer competition from the domestic banks of the kingdom. Riyal assets now comprise 15-20 per cent of the OBU's total, against the 75 per cent which are dollar-denominated. These riyal assets are mostly interbank loans, providing funds for the international banking community to serve corporate clients with business in the kingdom. But they also include the products of Bahrain's "suitcase banking."

Saudi shareholders are now represented in the OBU market, which has helped relations generally between the two. Murad Ali Murad is manager of National Commercial Bank's recently-opened OBU. He acknowledges that there will be stiffer competition for Saudi business, "but it is not going to happen overnight. The kingdom's spending is too big for Bahrain to be squeezed. There will be business enough for everyone."

Such optimism is widespread in Bahrain. It is fuelled by the OBU sector's progress to date, as well as by confidence in the advantages which the OBUs derive from the expertise and global experience of their parent institutions. These are key factors which should help assure the sector of the "steady rather than spectacular" growth anticipated in the BMA's 1979 Report, with a modesty and caution not always found in every part of Arab banking.

D. C.-S.



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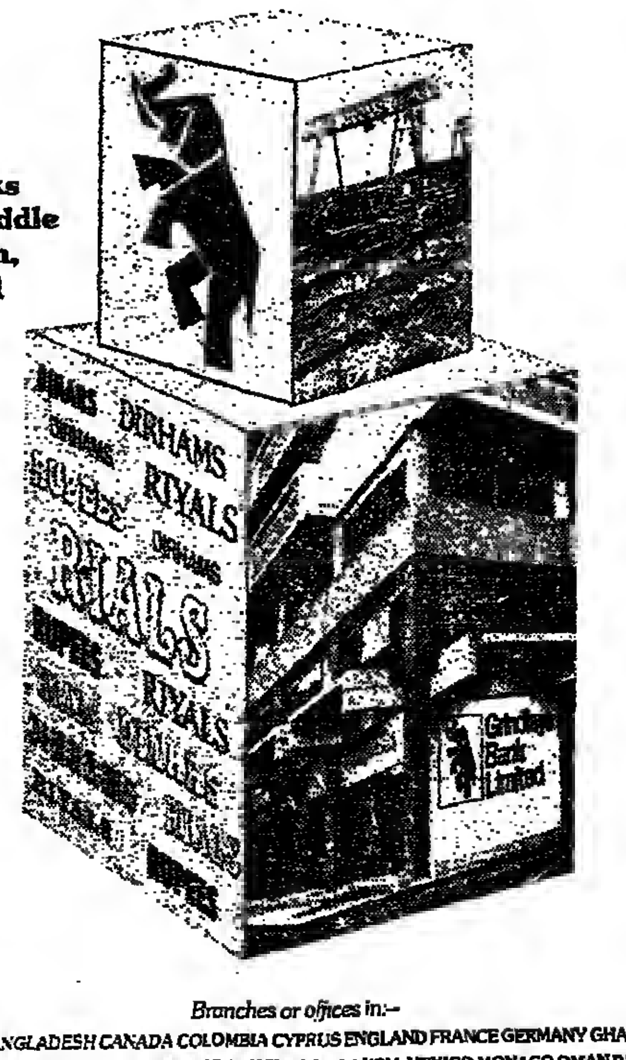

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REUTERS

World markets as they move

New Central Bank pushes UAE closer to real unity

EIGHT YEARS after its formation and prolonged agony, the United Arab Emirates has finally given birth to a Central Bank. Its creation represents the most significant move by the federation of seven sheikhdoms towards real unity, as important as the decision to form a single defence force.

This infant has been long in gestation. For the last six years, local and foreign bankers have been asking when the UAE's dynamic oil economy and its 52 banks were going to be governed by an institution with adequate regulatory and fiscal powers.

But a number of the voting rulers viewed the creation of a central bank as an instrument of control which might rob them of their remaining vestiges of power and independence — namely, the right to decide the economic futures of their emirates and keep their finger on whatever money their emirates earned.

In fact, the decision to form the central bank was largely in the hands of the two major oil-producing states, Dubai and Abu Dhabi. Many nationals in Abu Dhabi felt that the Emirate was already doing more than its fair share in supporting the federation through contributions to the annual federal budget. Abu Dhabi regularly gave more than 95 per cent of the total.

The decision to form a Central Bank entails some recognition of the fact that such an entity acts as banker to the Government. Previously, the National Bank of Dubai and the National Bank of Abu Dhabi (NBAD) had largely filled the void. They reformed the role of bankers to their respective emirates and paid commercial rates of interest on the oil dollars received, under the ownership of prominent local emirate interests.

In the case of the most wealthy Emirate, Abu Dhabi, which had enormous growing revenues and surpluses, and footings of over $5bn, the NBAD acted as a bank for the local government, its public corporations and members of the ruling family. Other responsibilities, such as dealing with the surpluses, were handled by specially created bodies. The Abu Dhabi Investment Authority (ADIA) has invested the surplus, and the Abu Dhabi Investment Company (ADIC) acted as the Emirate's merchant bank.

Sheikh Rashid, the ruler of Dubai, is famous in the region for his fierce independence and commercial flair, and guards his economic freedom jealously. Signs of his independence can be seen in his oil policies, industrial strategy, and his desire to spend the oil money as he sees fit. (In Dubai there still is no distinction between government funds and Sheikh Rashid's own personal funds.)

Nevertheless, in an economy like that of the UAE, with a total income of nearly $20bn, the need for a strong central bank was keenly felt by local bankers.

Until late last month, the monetary authority was the UAE Currency Board. This organisation not only suffered from a lack of support by prominent people in the UAE, but also a lack of input of foreign currency from the two major emirates. Its balance-sheet is still only just over Dh 7bn ($1.89bn) in size, and it has tended to be starved of funds by its government.

Legal entity

However, political pressures have been mounting on the rulers to support the establishment of a central bank and supply it with funds. Last March the rulers of Abu Dhabi and Dubai pledged to commit half their revenues to the central purse. And late in August Sheikh Zayed, the UAE president, signed the bill which made the Central Bank a legal entity. The bank's operation will begin not later than December 15, according to official sources.

The legislation has only been circulated to the banking community, and runs to a mere two foolscap pages. But it could herald enormous changes in the financial structure of the country.

There is also strong feeling in the UAE that the previous system, despite its faults, did work reasonably well. Certainly, the National Bank of Abu Dhabi and the investment institutions do not appear concerned about the possible repercussions of the new law... One banker commented that the issue had merely become a "journalists' plaything" and that few changes were in fact promised by this long-awaited legislation.

One clause is said to indicate that "public entities" will be able to do business with the Central Bank, presumably including such institutions as Abu Dhabi National Oil Company. Local bankers speculate that the Central Bank might then compete for deposits from such organisations, though it is unlikely that it could perform all the functions normally associated with commercial banks.

Another contentious issue will be interest. Both Abu Dhabi and Dubai have had a sharp eye for accruing interest on their money in the past, and may be loath to place large deposits with the Central Bank, which does not pay interest.

Until the full text of the legislation is revealed, these issues must remain speculative. "All one can say at the moment," remarked one banker, "is that the egg has been laid. We hope that it does not go cold before December when it is supposed to hatch."

Another possible problem for the fledgling Central Bank will be its leadership. Sheikh Surour bin Mohammed al Nahayan has been tipped to be chairman of the seven-member board of governors. The appointment would be an additional burden on a man who is already the Chamberlain of the President's Court, chairman of the Abu Dhabi Water and Electricity Department and a board-member of ADIA and the Abu Dhabi Fund for Arab Economic Development. He also reportedly attended the recent security meeting of Arab Interior Ministers in Taif, Saudi Arabia in his capacity of the acting Interior Minister of the UAE.

In the past the UAE Currency Board has suffered from a lack of strong local leadership. The appointment of Sheikh Surour, while providing the necessary political clout, would mean that day-to-day management was still in the hands of someone else.

The composition of the seven-man board is also another sticky point. Dubai, with the appointment of an Abu Dhabi personality as chairman, might seek representation of its interests on the board. The decision whether to appoint the best financial brains locally available regardless of their local emirate origin, or whether to have a board which tries to balance all emirates' interests, will perhaps be very significant. It will be a choice between federalism and regionalism.

With the creation of the Central Bank, it is presumed either that Currency Boards loans to the Emirate of Ras al-Khaimah — which represent a potentially embarrassing problem — have been paid off by Abu Dhabi, or that they will have been carried over to the new bank.

Under previous Currency Board management, Ras al-Khaimah managed to secure development loans of more than Dh1bn. By the Board's own admission, the terms of these loans were not "adequately appraised." Ajman and Sharjah also received funds from the Board, and it is unclear what is to happen to these.

Dirham lending

Still more problematic is the possible impact of the Central Bank on the use of dollars by commercial banks to fund local dirham lending. No matter how much dirham liquidity this new, expanded version of the old Board injects into the system, it will still face problems in preventing large outflows of dirhams.

The latest statistics issued by the Board show a sizeable increase in total foreign liabilities, but very little increase in the deposit base. By December last year, non-Government deposits stood at $4.4bn—very little changed from the level of three years ago.

Last year, the net foreign liabilities of the banks grew by $297m and accounted for one-third of the growth in advances. The advances to deposits ratio stood at 133 per cent—$7.16bn against $5.4bn. The UAE depositor has always taken very short positions on dirham deposits—those of up to three months absorb over 34 per cent of all deposits, while those over 12 months barely reach 7 per cent.

However some bankers in the UAE are waiting to see whether the two most important rulers will meet their commitments to contribute half of their incomes into the new central bank.

"I'll believe it when I see it," said one. But he added that if these undertakings were carried out then some real changes were in the pipeline in the UAE financial scene.

Kathleen Bishtawi

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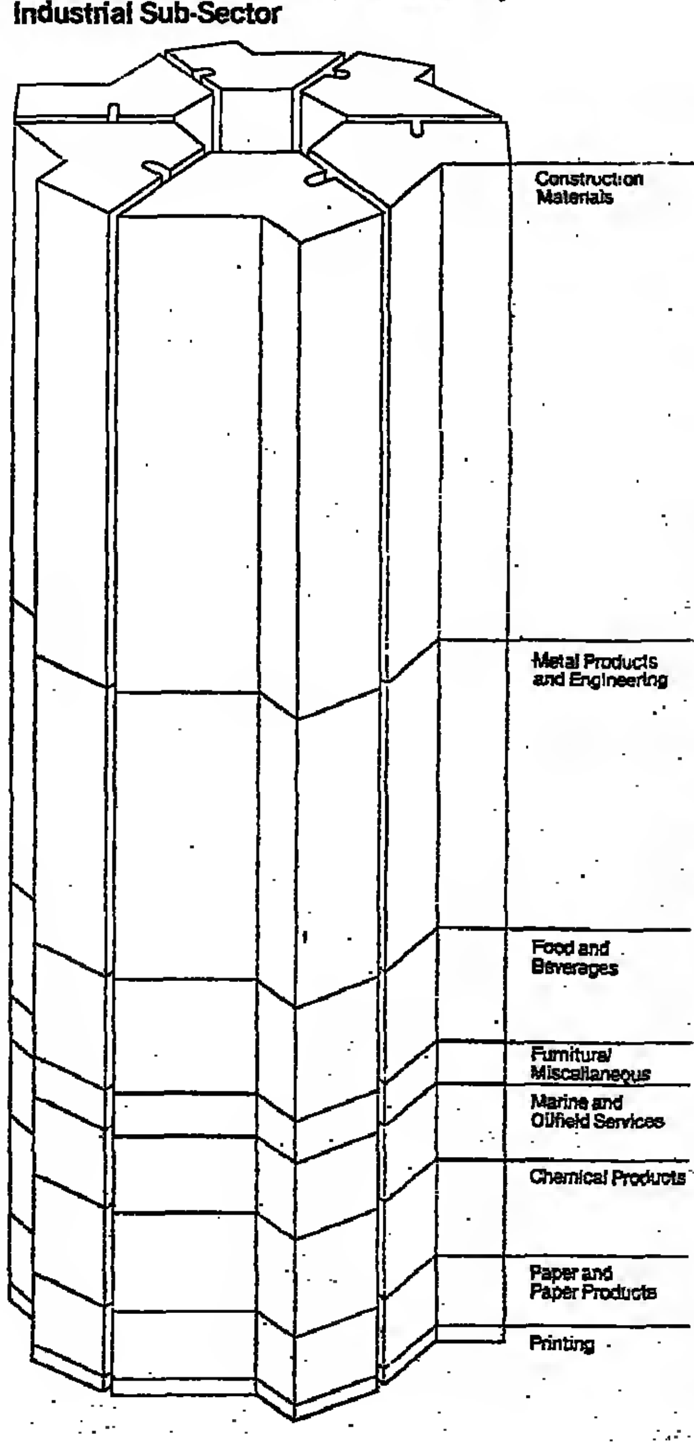
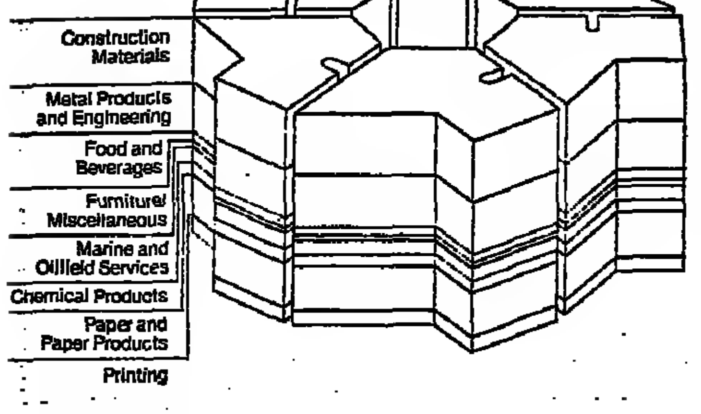


IBK's Loan and Equity Commitments during 1979 Classified by Industrial Sub Sector



Stability returns to Kuwait's banking system

TWO developments last month have been seen as a clear indication that Kuwait's banking system had recovered from prolonged liquidity difficulties. First, there was the lifting of the ban on the trading of the shares of non-Gulf companies on the Stock Exchange. Then came the announcement of the first Kuwaiti dinar bond-issue since the temporary closure of the market in the last quarter of 1979.

The two events signalled, at least, the Government's confidence that stability had been restored to the market following the outflow of money which towards the end of last year reached flood proportions.

Superficially, Kuwait has presented something of a paradox over the past year. While the country is reckoned to have the highest per capita income in the world, its large and well-established banks have been drained of funds, despite the growth of their consolidated balance sheets.

Privileged

The basic problem has been both political and social. Out of respect for traditionalist feeling and fear of offending Kuwait's privileged citizenry, the Government has refused even to contemplate allowing interest rates to rise in line with world trends.

At the same time, it has stuck to its liberal, capitalist philosophy in imposing no restrictions on the flow of capital. To have done so would also have been anathema to the State's traditions. Nor, in its periodic adjustments of the rates for the dinar have the authorities shown any inclination to revalue against other currencies in a way that might discourage the search for higher yields elsewhere by increasing the exchange risk.

One important reason for the authorities' reluctance on that front is the recognition of the possible limits to diversification of the domestic economy, and the policy of building up investments abroad to provide an alternative source of income. In practice, substantial appreciation of the Kuwaiti dinar would only reduce the proportion of revenue saved in terms of dollars and other international currencies.

It seemed a momentous occasion when the old 7½ per cent ceiling on interest rates was raised three-and-a-half years ago—a necessary move that the National Assembly had always vigorously opposed before its suspension in 1976. The present limits of 8½ per cent for loans of up to a year and 10 per cent for longer periods introduced in 1979 remain in force.

Strains on the system—also suffered by Saudi Arabia, Kuwait, Qatar and the United Arab Emirates—have resulted from the pronounced discrepancy in interest rates compared with the world's major money markets. These may well recur, but the Government will continue to regard the present ceiling as sacrosanct, resorting to palliative measures in response to any future crisis.

Apprehension about instability in the region clearly played only a minor part in stimulating the outflow of funds which, between August, 1979, and April, 1980, may have amounted to as much as KD 3bn ($11.2bn). That much was shown by the frenzied interest in and over-subscription for shares in offshore Gulf companies that could hardly be regarded as a secure investment.

The decision to ban dealings in these shares within Kuwait amounted to an inconvenience rather than an impediment to Kuwaitis engaging in such transactions. This aspect of the liquidity shortage, meanwhile, highlighted the insufficiency of local lending opportunities.

Specific conditions have now been laid down on trading in shares of non-Kuwaiti Gulf companies, which may preclude officially acceptable dealings in many of them—and reflect a patriarchal concern on the part of the Government.

Suspension of new issues of KD bonds last November was probably of marginal importance. The market was already in decline because of the comparatively low yields, the loss in value on the secondary market, and the close linkage of the currency to the dollar. Over 70 per cent of the KD issues recorded in 1979 were accounted for by the first half of the year.

Business was resumed with the KD 10m facility for the City of Oslo announced early in August, and lead-managed by the Kuwait International Investment Company. Although it

CONTINUED ON NEXT PAGE

THE DUBAI CONFERENCE—1980
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Egypt: curbs on letters of credit hit foreign banks

EGYPT'S BANKING community is still recovering from the economic measures announced last May. Some bank managers seriously thought of packing up when they were told they would no longer be able to open letters of credit.

But when the authorities found the public sector banks would never be able to handle the increased business, they back-tracked. In a diplomatic compromise they allowed the foreign banks to continue issuing letters of credit, in return for "offering" to place 15 per cent of their foreign currency deposits with the Central Bank at Libor, as a source of development funds.

The foreign banks have still lost out because letter-of-credit business has been hit by the introduction of new deposit requirements: 100 per cent on all goods, except raw material imports (40 per cent) and essential foodstuffs (25 per cent). The authorities have since relaxed the rules to allow importers to make use of supplier credits for raw material and foodstuff imports. But business is well down since the changes—probably by as much as 40 per cent, and this mostly on the raw material imports so vital for construction.

The authorities appear also to have lost out, winning a Pyrrhic victory in their attempt to gain access to some of the estimated $3bn to $4bn of hard currency deposits lodged in Cairo banks. Some banks have deferred payment of their 15 per cent requirement, awaiting clarification of what can or can not be deducted against their balances. Others have recorded virtually nil or minus positions after deducting head office loans. The fact is that it is extremely difficult to define foreign currency deposits in a free market.

This latest hiatus comes amid calls for greater controls over foreign banks—always the sector with the highest profile in a country opening up after a period of centralised government. The logic behind allowing foreign banks into Cairo was to help the development effort. All branches therefore theoretically have a "development bank" license, and only those who formed joint ventures with Egyptian partners with a controlling interest could first handle Egyptian accounts and second, deal in retail banking.

Chase Manhattan was the first foreign bank to set up a joint venture. Chase National, as it is called, has prospered hugely, making profits of around E£5m this year. Some eight other foreign banks have also set up joint ventures with controlling Egyptian interests, usually with one of the four public sector banks. Cairo Barclays International and Misr Iran Development Bank (MIDB) fall into this category, although as 50/50 joint ventures they cannot deal in Egyptian pounds. They are all doing well and contributing slowly to the development of medium-term lending, especially MIDB and Cairo Barclays International which some see as the only true foreign "development" banks operating in Cairo.

Aid agencies

Branches have done extremely well but mostly out of the letter of credit business. It is mainly these banks that critics of the "open door" policy attack — to the embarrassment of the authorities.

Foreign banks have performed a service in improving the level of banking services available in Egypt — even if they have filched staff from the nationalised banks to do so. Although they finance luxury goods imports, they have increasingly — at least the more respectable of them — financed raw material and capital goods imports, as well as arranging much needed supplier credits.

Some of these banks are also testing the term-lending market, but very gingerly, remarked one banker. "Yes, we make good profits, but you have to understand that any loan in Egypt is an equity risk. It only needs one to go sour and you have lost your profits for a couple of years." Another banker from one of the joint venture banks concurred, adding that he chose his term-borrowers "very carefully indeed."

The need to increase savings has become a major plank of Government policy, as a way of channelling funds to investment, reducing the money in circulation and relieving inflationary pressures.

The authorities are extremely anxious to raise as much local capital as possible, through savings, for investment. Lack of local funds is at present a major constraint on development, and raising interest rates is clearly one extremely important measure.

The authorities also think that there is a large pool of cash stashed under beds in the countryside which could be tapped if the right medium could be found to exploit it. For this reason, it is encouraging "Islamic" banks—banks that do not pay interest but take equity stakes in enterprises to get round the rural population's supposed aversion to usury.

At present there are two "Islamic" banks operating in Egypt: the Nasser Social Bank, the first in the Arab world and geared exclusively to social causes such as loans to owner-driven taxis. The other is the Faisal Islamic Bank which, with Saudi backing, had got off to a roaring start and has done extremely good business taking positions on imports such as timber. The high level of trade financing apparently maintains a reasonable liquidity level to offset the equity stakes taken in other enterprises.

The four nationalised banks have only been partially effective as a medium for domestic savings because of the fixed interest structure. However, the gradual dismantling of restrictions on their activities, especially in their foreign exchange dealings, has made them profitable again.

There also remains the possibility of developing the stock market, at present hidebound by swingeing withholding taxes. A capital markets authority has been set up to investigate ways of facilitating capital formation. Any moves to regulate liquidity would be welcomed by the banking community, which finds that the need to retain some liquidity (only eased now by informal interbank borrowing) hinders some banks from doing more term-lending. There is also a need for a properly regulated foreign exchange market, specially as the open market becomes increasingly the conduit for foreign exchange transactions.

Government policy is to keep the parallel market rate pegged at 69 piastres, compared with an open market rate of 77 piastres to the dollar — at as small a premium as possible.

The authorities are not only facing the problem of generating savings but of ensuring that they go into useful investment. While trying to keep domestic credit on a tight rein, they have not yet found a way of limiting funds to the public sector to cut current expenditure rather than investment programmes.

The creation of a National Investment Bank and its sister organisation, the National Development Bank, should do something to improve the flow of funds to properly designated investment projects. But the public sector companies are still faced with the extraordinary anomaly of being squeezed into the open market for funds while the Central Bank coffers have been overflowing with oil revenues, because the authorities have starved the parallel market, their usual source of cheap foreign exchange, of funds. Last month Egypt's gold and currencies reserves topped $1bn for the first time.

'Open door'

The problem, therefore, is only partially a question of marshalling funds. It is also a question of creating the agencies capable of project evaluation. Apart from the major aid agencies like USAID and the World Bank, there are very few organisations that have the capacity to do this. The Development Industrial Bank is building up a project evaluation team, but among the foreign banks, only the Misr Iran Development Bank has a proven record of project evaluation. A few private investment institutions like the Arab Investment Bank and the Joint Arab Investment Corporation are offering customers project evaluation facilities. While the traders call the tune as far as doing business is concerned, the need for proper project evaluation becomes an essential pre-requisite for banks to go into development banking.

Alan Mackie

Kuwait

CONTINUED FROM PREVIOUS PAGE

aroused little interest abroad, the issue, with its 9.25 per cent coupon, had a good response from Kuwaitis and was oversubscribed.

Gold purchases played a role in the liquidity drain. Essentially, however, it was caused by the arbitrage opportunities afforded by the artificial interest rate in the State. To counter the outflow, the Government resorted to increased spending on land acquisition, a time-honoured method of injecting money into the economy. In addition, the Central Bank has provided swap facilities and a discount window.

Beyond that it relied on exhortation, in particular asking the banks to limit overdrafts and make loans for specific purposes only. But the crisis emphasised the limitations on the power of the monetary authority which result from the inflexibility over the interest-rate ceiling.

Deployment of funds abroad was reflected in the banking statistics for 1979. Total advances were up 40 per cent to KD 2.24bn, while customers deposits rose by only 30 per cent to KD 3.87bn. The ratio of advances to liabilities rose from 49 per cent to 53 per cent.

But the liquidity squeeze was the main factor in cutting profits per share (calculated on a KD 1 nominal basis) from 12 per cent in 1978 to 3.9 per cent in 1979. Nevertheless, total assets increased by nearly 30 per cent (compared with 24 per cent in 1978), to KD 4.44bn.

Eventually, the situation was eased by the fall in dollar rates. Yet suddenly—and without any very clear explanation—the market tightened at the end of last month, affecting interbank rates up and causing the Central Bank renewed concern. The cause may have been a burst of post-Ramadan activity in real estate and share transactions, as well as the KD issue.

Kuwaiti bankers have also noted intensified interest in gold and commodity trading.

Kuwait's seven commercial banks (including the Real Estate Bank, which is allowed to take deposits) are solid institutions. Protected from the presence of foreign competitors and assisted by the limitation on the number of operators, they have experienced steady growth and profitability. The system is almost as large as Saudi Arabia's. The National Bank of Kuwait remains the largest (ranked 303 in the world in a recent survey by The Banker), with assets of KD 981m at the end of 1979. It was followed by the Gulf Bank (KD 909m), Al Ahli Bank (KD 818m), the Commercial Bank of Kuwait (KD 749m), the Bank of Kuwait and the Middle East (KD 421m), the Burgan Bank (KD 298m) and the Kuwait Real Estate Bank (KD 276m). Average profits last year were up by 22.2 per cent. The Gulf Bank recorded the biggest increase, with 35 per cent, as well as the lowest ratio of advances to liabilities, at nearly 47 per cent.

Islamic bank

The development of a secondary market in Kuwait has been a slow, deliberately-cultivated process. So too has the creation of vehicles providing medium- or long-term loans. Established in 1975, the Industrial Bank of Kuwait, now capitalised, continues to play an important role not only in extending finance but also in issuing tap certificates of deposit, with maturities ranging from three months to three years. Together with the Kuwait International Investment Company, it founded the Arab Company for Trading in Securities (ACTS) to create a secondary market for KD bonds, and thus make the raising of long-term loan capital on the primary market easier and cheaper.

Now the CBK, the Al Ahli and Burgan are also shareholders in ACTS whose capital has been increased to KD 3m. Its operation has been hampered by the exchange rate structure. It hoped that the moratorium on new KD bonds might increase activity in the secondary market, but the demand for KD bonds from a limited number of institutional purchasers and private investors appears to have been sluggish. In the meantime ACTS has performed a difficult and hardly profitable role in supporting a bear market.

R.J.

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Jordan aims at wider range of services

AFTER YEARS of persistent prodding by the Central Bank, the Jordanian banking and finance sector has started filling in the gaps to offer a wider and more sophisticated range of services, attuned to long-term national economic goals. This has been accompanied by a continuing high growth-rate in all the monetary indicators, reflecting Jordan's position on the periphery of the giant oil-states.

In the past two years, the commercial banking sector has responded to the Central Bank's pleas to channel more of the country's ample liquidity into productive ventures. The main instrument has been locally syndicated loans. But bond and share financing has also picked up quickly.

Ten locally syndicated loans have been arranged in the past 22 months, since the first was signed in Amman in December 1978. Though their total value is just under JD 40m, ($130m), they are an important breakthrough into the financing of local industrial, transport tourist and construction ventures by Jordanian banks. In the past the banks shunned medium-term loans in favour of easier profits from trade financing.

The biggest and longest syndication was an 11-year JD 9m ($30m) loan to the State-owned airline Alia, at 9.25 per cent interest. One attraction of local dinar syndications is the low interest rate, which was nearly 10 per cent less than prevailing Eurodollar rates earlier this year. A second factor is the absence of a foreign exchange risk.

The Central Bank has also encouraged local syndications by allowing participant banks to exclude their share of syndications from calculations of their credit-deposit ratio, which remains at 67.5 per cent. The Central Bank has also agreed to deals that effectively introduce a floating rate system, whereby the lending banks can raise the interest on a loan if the Central Bank raises its prime lending rate during the life of the loan. The fact that most syndications are Government-guaranteed is an added incentive for Jordan's risk-conscious bankers, many of whom have been jolted by unpredictable political events in the Middle East.

Indirectly

Ironically, it is Jordan's position as a confrontation State on the *front-line facing Israel* that indirectly fuels the growth of the financial sector. About half the annual State budget revenues are support grants from the Arab oil producers, and this money works its way into the banking system through Government expenditures. Added to workers' remittances of nearly $1bn a year, these grants have helped sustain an annual growth-rate in the money supply of more than 20 per cent during the past five years. Last year, it increased by 28 per cent, to reach JD 764m.

Commercial bank deposits increased by 32 per cent last year, to reach JD 593m. Outstanding commercial bank loans rose by a full 40 per cent in the same period, to JD 465m. But 62 per cent of advances go to construction and trade, two of the more inflationary sectors of the economy.

The Central Bank's efforts to redirect credit to productive *sectors, such as industry,* agriculture and tourism, have been only partly successful. Dr. Mohammad Said Nabulsi, Governor of the Central Bank, said in an interview that budget restraint, instead of monetary instruments, are now the Government's most important anti-inflationary weapon. But the Central Bank has continued its three-year-old policy of using monetary controls to affect credit volume.

Last month it dropped its minimum reserve requirements by one point, to 15 per cent on current accounts and 12 per cent on deposit accounts, to counter what it saw as a slight credit squeeze. It also dropped the minimum reserve requirement on certificates of deposit funds to 8 per cent, to encourage the use of this instrument, which first appeared in Jordan last year.

Other new instruments introduced into the Amman market in the past two years include syndicated bid bonds, corporate bonds and underwriting equity shares for new industries.

The forward exchange market initiated last year, largely in response to the needs of foreign contractors winning dinar-denominated contracts, has been dampened considerably by the *Government's decision* in January to return to dollar-denominated contracts.

Foreign contractors can now arrange forward cover in their own home markets, leaving the Amman forward exchange market *for those few local traders* who have taken advantage of the facility to date.

The main focus in the Jordanian financial sector remains the expansion of services. More corporate bonds are expected to *follow the two successful issues* floated recently for the state airline and the country's only cement plant. However, interest rates will have to rise above the 8.5 per cent average for these two issues if future bonds are to compete successfully for long-term deposits of 10 years or more.

Activity on the two-year old Amman stock exchange also continues to expand steadily. It is expected to register an annual volume of over JD30m this year—a 50 per cent increase on 1979.

Much of this reflects money flowing into Jordan from the Israeli-occupied West Bank, where Arab citizens have few investment outlets.

The Central Bank governor, Dr. Nabulsi, also said that Jordan has dropped its nascent ambition to attract offshore banks, in order to concentrate on "developing a complete spectrum of financial institutions working in an indigenous capital market."

Promoted

No more commercial banks are being licensed, but specialised investment banks and companies are actively promoted by the Government's financial authorities. In the past two years, three specialised institutions working in the investment banking and securities fields have opened. A new Islamic bank is operating and the latest addition to the financial sector is the joint Jordanian-Syrian bank, which is expected to concentrate on bilateral trade.

These new ventures bring the total number of banking institutions in Jordan to 19, of which only five are wholly owned by local interests. The rest are joint ventures with minority shareholdings by Arab and Western banks.

The system is top-heavy, however, with the Arab bank alone accounting for one-quarter of loans granted, 40 per cent of deposits, and 60 per cent of profits. The Arab Bank and the next three biggest banks (Jordan National Bank, Bank of Jordan and Cairo-Amman Bank), together control about 60 per cent of deposits, and 50 per cent of all commercial bank assets.

The Arab Bank, with a balance sheet of more than $7bn, is the only Jordanian bank with significant international and regional operations. It recently set up its own wholly-owned investment banking subsidiary in London, Arab Bank Investment Company Limited, to spearhead its growing syndications business both in the Middle East and further afield.

The bank celebrates its 50th anniversary this year with a new branch opening in Athens—its 47th international office in 24 countries. Foreign business accounts for over three-quarters of the bank's deposits and profits.

Rami Khouri

Growth in Lebanon despite unrest

LEBANESE RESILIENCE, adaptability and a knack for discounting political pressures—and indeed learning to profit from them—have allowed Lebanon's banking sector to flourish despite widespread instability in the country.

Dr. Asaad Sawaya, of the Banque de L'industrie et du Travail and chairman of the Lebanese bankers' association, recently pointed out that the balance sheet of Lebanese banks have increased by 200 per cent in the last four years. Their resources have risen from around L£8bn ($2.4bn) to just over L£20bn ($6bn), indicating an upward swing of 147 per cent from 1976 to 1979.

Surprisingly, a 30 per cent inflation rate, recession and a credit-squeeze, in addition to a fractured political climate of violence and uncertainty, have not discouraged the creation of new banks in Lebanon. The total number of commercial banks has increased to 86, the most recent arrival being the American Express International Banking Corporation—the first new non-Arab bank since the 1975-76 war.

Several banks set up affiliates in other countries in reaction to harsh physical conditions brought on by the war and frequent outbreaks of fighting.

Branches

Banque de Liban et d'Outre-MGR, one of the largest banks in Lebanon with assets of about L£2bn, has 16 branches in Lebanon, one affiliate in Saudi Arabia, two in the United Arab Emirates, one in Paris (Banque de l'Orient Arabe et d'Outre Mer-Banorabe) and one in Geneva (Banque Unie pour l'Orient Arabe-Banorisnt).

Such ventures beyond Lebanese borders and the growth of the banking sector, Mr. Azhari noted in a recent interview, "shows how the Lebanese banking community has acclimatised to very severe conditions." Since the onset of the Lebanese war, two Lebanese banks have set up offices in Brussels, two in Switzerland (Zurich and Geneva), two in London and 13 in Paris.

Th civil war has also forced banks to open branches on both sides of the divided capital and in other towns throughout Lebanon. These cater to depositors unable to travel as easily as before.

At the same time the authorities attempted to maintain the country's attraction to investors by maintaining liberal monetary policies and struggling to preserve total freedom of exchange and movement of capital.

"Lebanon is thriving on two of its calamities," said Fuad A. Siniora, head of the Control Commission at the Banque du Libao, the monetary authority.

The first problem is the drain of manpower to the Arab world and Africa. An estimated 200,000 Lebanese working in the Gulf alone have kept remittances flowing into Lebanese banks at a rate of $100m-$150m a month.

The second is the substantial political contributions streaming into Lebanese banks to finance some two dozen militia. The sources of funds are numerous, representing different shades of political opinion in the Arab world and rival regimes in the Middle East.

It is estimated that the total receipts from these two main sources are L£3bn to L£4bn.

"We are generating a substantial amount of surplus in our balance of payments," Mr. Siniora said. Another member of the Control Commission, Mr. Nassim Saliba, said the balance of payments surplus has gone up to $565m in the first half of 1980, compared to $323m for the whole of last year.

However, this flow of funds into Lebanon does not by itself explain the excess liquidity in the banking system.

"Balance sheets expressed in Lebanese *pounds swelled to re-*flect the deterioration in the exchange rate of the Lebanese pound against every currency in the world," said Dr. Majed Dajani, former representative of Credit Suisse in Arab countries, East Africa, Iran, Afghani-

CONTINUED ON NEXT PAGE

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Foreign debt blocking progress in Sudan

BANKS IN Sudan have been through trying times for the past year. Last September the whole system was thrown into disarray by the sudden announcement of new foreign exchange procedures. Since then, the banks have felt the tightening grip of credit restrictions agreed between the government and the IMF. And all the time discussions have been going on at one level or another on the rescheduling of Sudan's substantial foreign debt.

The cosy little world of Sudanese banking was disturbed in 1976 by the establishment of an open-door policy on foreign banks. Sudan's banks had all been nationalised in 1970 by President Nimairi's Government during its socialist phase. There are five local Sudanese banks: in order of assets, on 1977 figures, they are the Bank of Khartoum, the El Nilein Bank, the Sudan Commercial Bank, the Peoples Co-operative Bank and the Unity Bank. Some 99 per cent of their capital is held by the Bank of Sudan, the Central Bank. Some retain links with their former foreign owners: the Bank of Khartoum still seems to have a stock of Barclays Bank stationery.

The open door was designed to bring in foreign capital, start joint ventures with Sudanese capital and help local banks with foreign transactions. The four new institutions which now have branches are Citibank, BCCI, National Bank of Abu Dhabi and, having opened more recently, the Faisal Islamic Bank. Chase Manhattan has a representative office.

Shortage

Though these new banks have been responsible for bringing in a substantial amount of foreign currency in loans and trade financing, they have had to cope like the local banks with the national shortage of foreign exchange. Broadly speaking, Sudan's exports and service receipts have in the past few years been far less than its imports and outflows; banks were obliged to pass on to the Central Bank most foreign exchange earned by their customers; yet the Central Bank never had enough money to pay for imports, so that payments for imports by bank customers in Sudanese pounds took months or even years to be converted into foreign exchange and passed on to the foreign creditor.

The basic cause of the problem was Sudan's development drive—a dash to get out of the vicious cycle of low growth by means of expansion and borrowing. The borrowing, however, got out of control because of the breakdown of monitoring by the Central Bank and Finance Ministry. Projects became bogged down by the poor transport system and the weaknesses of the nationalised base of the economy. And Sudan's backers, though generous with project finance, were tight with funds to meet the resulting balance of payments gap, particularly as they became increasingly convinced that Sudan was spending too recklessly.

Yet there was also a consumer boom as Sudanese working abroad remitted funds in the form of imports under a special system known as the nil-value import licence system. The shops were full of expensive goods, there was merry trade in black market funds, good business for banks but bad allocation of resources from the point of view of the economy as a whole.

The waning patience of Sudan's Arab creditors led to its making an interim agreement with the IMF in June 1978 and devaluing its currency. Though the IMF imposed austerity measures, Sudan was judged in the treasuries of Saudi Arabia and Kuwait to be dragging its feet on reaching a three-year agreement with the IMF. The crisis was graphically illustrated in February 1979 by the fact that the banks were asked to lend some $36m of their foreign exchange to the Bank of Sudan to pay for badly-needed oil and pesticides for delaying payments on other things still further. But the loan was quite soon repaid and a three-year agreement with the IMF was signed in May 1979.

Things have been uncomfortabel for the banks since. The new Finance Minister, the tenacious Mr. Badr El-Din Suleiman, impatient with the fetters binding the economy, introduced at short notice in September 1979 an easing of foreign exchange controls, ended the nil-value system, and brought in a two-tier currency parity, which recognised something akin to the black-market rate for Sudanese pounds. Sudanese were to be allowed to have foreign currency bank accounts on which banks would pay international interest rates, and companies which earned foreign currency were to be allowed to keep 75 per cent of it.

The aim of the system was to attract the foreign currency of Sudanese expatriates, rather than remittances in the form of goods, and direct foreign exchange where it was needed—to productive sectors of the economy rather than consumption. But the system implied that there could be an outflow of currency as well as an inflow, though none of Sudan's Arab friends saw fit to underwrite the new system with a cash "float."

The banks were not apparently told in detail what the new measures meant or how to apply them. There was also considerable confusion about the two tier system, not helped by some quaint mistranslations in the Government magazine Sudanow. The consequence for several weeks was almost total paralysis, with few banks daring to move one way or another. When it gradually eased it emerged that there had been some net inflow of funds, though this may have been for investment projects, and that the black-market rate was still a fair way above the parallel rate.

As the nil-value system ran down, trade slowed and the souks became de-stocked. The levels of economic activity declined. The banks were expected both by the IMF and the Finance Minister to enforce tight credit controls—something that is always painful in face-to-face Arab societies. Two Sudanese banks are said to have grossly transgressed the IMF guidelines, and their general managers have been suspended pending investigation, according to the Middle East Economic Digest.

Determination

Everything that Mr. Badr El-Din Suleiman has done shows determination to end the lax financial and fiscal control the Sudanese economy has suffered for the past few years, however painful it might be. The control of the Ministry of Finance over borrowing has been reasserted: the management team which ran the Bank of Sudan during the years it gradually lost formal control of foreign exchange and track of the country's foreign transactions was sacked in February in a what was described in Sudan as "a massacre."

A little later the able Sheikh Hassan Bilail was brought back from a job in Saudi Arabia, with the Arab Investment Company, to be the new governor of the Bank of Sudan. Bankers visiting Sudan from outside have been impressed by the palpable air of determination the new men at the bank and the ministry show.

But what is really needed to unblock the channels of trade and get foreign exchange flowing again is the rescheduling of Sudan's commercial debts. At the end of August 1979, Sudan had debt arrears of $1.1bn. Some $400-500m—that portion covered by Western export credit agencies—was renegotiated in principle with the Club of Paris last November. But roughly $500m of debt to commercial banks, ranging from syndicated loans to trade debt, remains to be rescheduled. Sudan has gradually stopped servicing it, for lack of foreign exchange.

"Talks between the Finance Minister and a group of Western banks broke down last Christmas. A dialogue was later restored, and the banks believe they are close to formulating the basis of an agreement. In August the Bank of Sudan appointed Morgan Grenfell, the London merchant bankers, to advise it on the rescheduling.

Its first task will be to start a new and, it is hoped, exhaustive analysis of Sudan's debt position before an offer to creditors can be formulated. That could take the rest of the year, and the question of what rescheduling terms Sudan will be able to meet depends partly on what, if any, additional funds the IMF is prepared to make available under a revision of the three-year agreement. A rescheduling agreement will almost certainly involve an injection of what bankers call "fresh" money.

Attention in Sudan and outside is therefore focused on the wild south-west of the country, where Chervon has made some small but "very encouraging" oil discoveries. Sudan is not likely to be an oil-producer yet, but if the finds are substantial new borrowing could become a little easier.

J.B.

Lebanon

CONTINUED FROM PREVIOUS PAGE

stan, Cyprus and Turkey.

Against sterling, for example, the rate in 1974 was about L£3.50 to the pound. Today it is L£8.30 to the pound, and rising. The Swiss franc was three-quarters of a Lebanese pound; now it is L£2.10 to one Swiss franc.

"This rush for foreign currencies gave the banks extra-ordinary profits from the widening margins between the buying and selling rates for those currencies, Mr. Dajani commented.

This phenomenon created a new wealthy class — those who sold real estate at 20 or 30 times what they had paid for it years before. There are also the smugglers, now with their own private ports, who have been smuggling in duty-free alcohol, cigarettes, radios, TV sets and electrical appliances. Hashish takes the outward bound trip.

Minimal taxation, limited the interest of current accounts, of exchange controls, and total freedom to transfer capital out of the country have provided an incentive to depositors and helped Lebanese banks attract capital. Protection of clients' operations by absolute bank secrecy laws has been an additional factor.

The banking system in Lebanon is "secure at the expense of Government income," according to Mr. Siniora. Central Bank authorities, recognising the unstable conditions in which banks were operating, allowed them to turn all book profits during the civil war into provisions against bad debts. Subsequently, the authorities have extended this policy, allowing substantial profits to escape taxation by being accounted as provisions.

Hesitation

Some critics claim that the lack of productive opportunities in Lebanon and hesitation to lend to industry are preventing banks from helping post-war Lebanon expand the economy by boosting productive capacity. Only 16 per cent of all bank loans are issued to Lebanese industry, still staggering from the blows dealt it during the recurrent bouts of fighting. The brittle political balance fostered a preference for short-term lending.

Excess liquidity, meanwhile, give rise to lending for speculative purposes, especially in real estate and foreign currency trading. To halt fluctuations in the exchange rate and to stop the Lebanese pound from sliding, the monetary authorities set a ceiling on credits. People found it convenient to borrow in Lebanese pounds against collateral in a foreign currency.

The ceiling allowed banks to lend only 20 per cent of their total deposits in Lebanese pounds. Special allowances were made by the Central Bank, however, for industrial concerns and tourism projects giving credits of up to 25 per cent. In August the ceiling was lifted to 22 per cent, and the figure for tourism and industry to 30 per cent.

Since there are no restrictions on lending in foreign currencies, several commercial banks, some of them U.S.-owned, have switched to lending in this form during the past six months. Behind-the-scenes efforts are being made to persuade the banks to adopt a form of self-control and cut back advances to Arab conglomerates, as well as Arab and European-owned multinational corporations dealing in shipping, trade, insurance and lumber with branches outside Lebanon, well-informed banking sources said.

Ceiling

Mr. Saliba said in a report, reproduced in the independent daily An-Nahar last month, that lending in foreign currencies rose by an average of 87 per cent. Lending in the Lebanese pound did not exceed 3.3 per cent. The report explained that about 40 banks had reached their credit ceiling (on the Lebanese pound) in the first few months of 1980.

A Lebanese banker said banks were "advised and given instructions to limit lending activities in foreign currencies." Central Bank officials denied any knowledge of such recommendations and stressed that "no circular was issued to banks setting restrictions or ceilings on foreign currency lending."

In a bid to restore Lebanon's position, banking authorities attempted to draw in funds by introducing offshore banking facilities. However, Lebanon's instability meant that so far the scheme has only been partly successful, and has failed to attract large amounts of petro-dollars.

In the hope of broadening the base of the country's financial institutions, the Lebanese Bankers' Association, with the approval of the Central Bank, has announced plans to set up a discount house. This move will help create a secondary money-market for short-term securities such as certificates of deposit and commercial papers.

The company, called Societe Financiere du Liban, will have a starting capital of L£10m. It is likely to begin operations by the start of 1981. This follows the issuing of Treasury Bills by the Central Bank since 1977.

"This secondary market for short-term securities is the first step towards creating a capital market," said Antoun Harik, economics professor at the American University of Beirut. And according to Mr. Dajani, this market would be a convenience for banks in Lebanon since it is a "lubrication for the banking system."

Nora Boustani

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Capital & Reserves	2,499	46,048
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Advances	31,826	342,652
Contra-accounts	32,991	232,587
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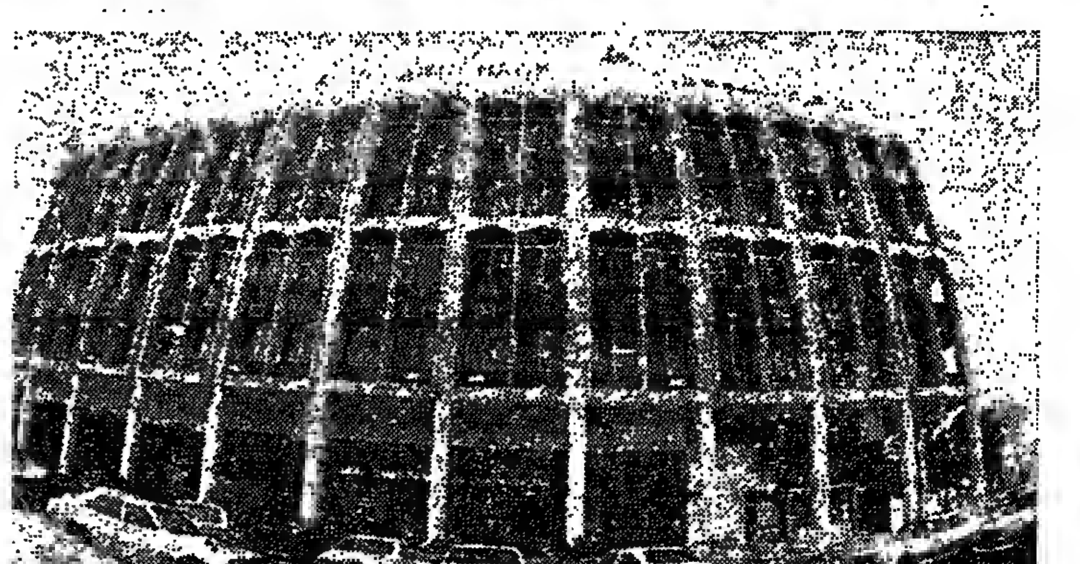

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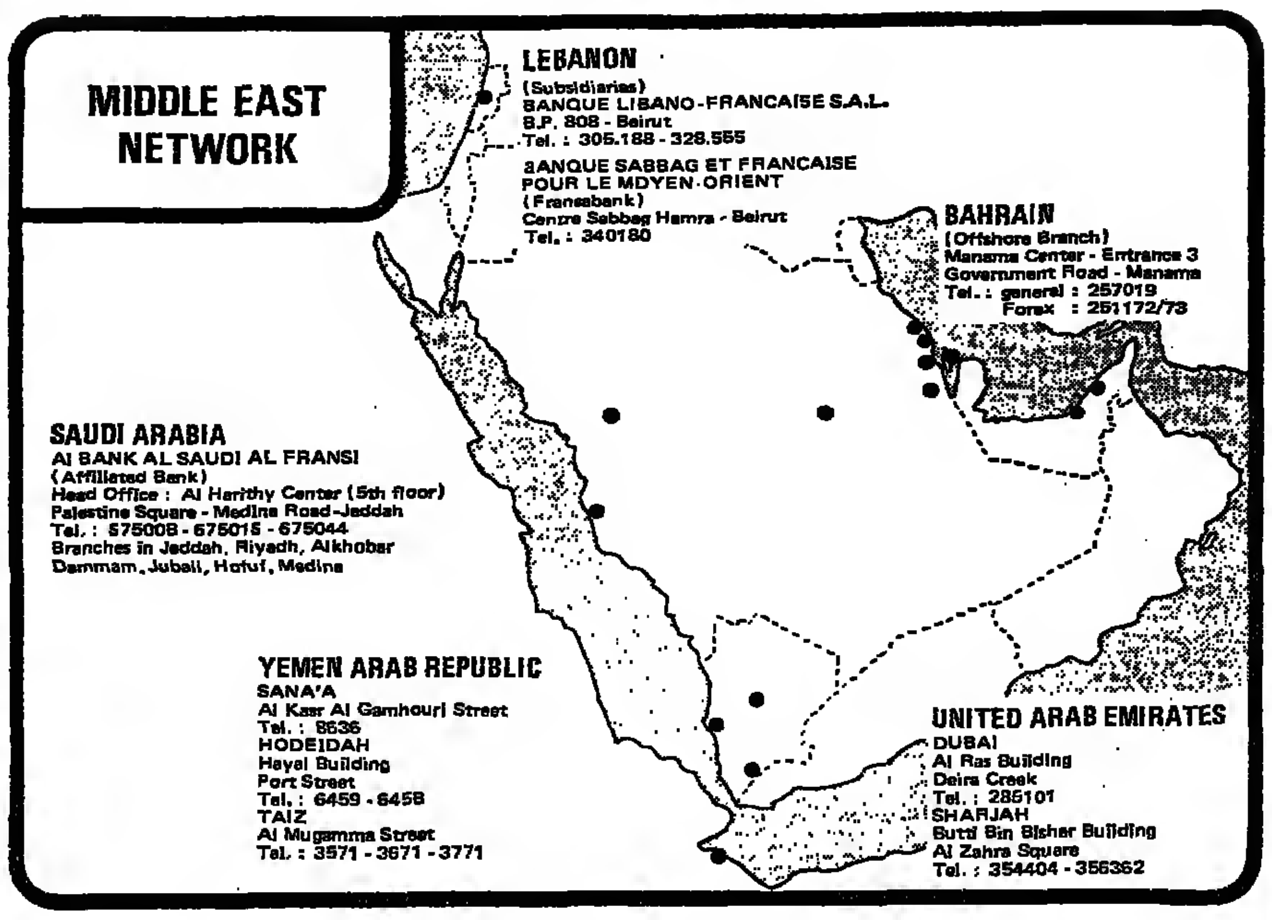

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Planning shifts limit needs in Algeria

ALGERIA IS still, 18 months after the death of its second president, Honari Boumedienne, very much in the throes of re-organisation. Attention is usually focused on the shift in emphasis in economic policy which is enshrined in the third five-year development plan unveiled in June.

Between now and 1985, emphasis will be laid on completing industrial projects started during the last decade, which have proved to be rather too ambitious where large projects are concerned, but more funds—and attention — will be given to agriculture, water resources, fishing and social problems, particularly housing.

Many industries and State organisations are meanwhile being reorganised but progress here is not too easy to follow and changes are not publicised. The thrust of what is happening is consistent, however, with the aim of the new leaders to make some very powerful Ministers and State companies more accountable than they were in the past.

Thus Sonatrach, the State oil and gas company, will by 1982 be split up into various component groups. The aim is to control spending much more rigorously than has been the case since 1965. The new Minister of Energy and head of Sonatrach, Mr. Belkacem Nabi is determined that every dinar the company earns must be accounted for. This discipline is needed as the financial running of this giant employer — some 85,000 people today — has been rather lax.

That was maybe a necessary evil, the by-product of the personality of the man who founded Sonatrach and ran it for more than a decade, Sid Ahmed Ghozali. His vision explains why Sonatrach launched into liquefying natural gas well before it became clear that such a move would produce a large hard income. His strength was his long-term planning, his weakness his everyday management of the company.

The rigorous policy of Mr. Belkacem Nabi is also to be seen in some other State sectors, particularly those dealing with imports and distribution of food. Here, closer control should stamp out corruption, a growing evil in recent years.

Unchanged

So far, however, the banking system, which is controlled by the State, remains unchanged. Three banks — the Banque Exterieure d'Algerie (BEA), the Banque National d'Algerie (BNA) and the Banque Algerienne de Development—remain the most prominent institutions, though there is talk of setting up a bank whose aim would be to finance agriculture and would complement the three existing development banks. BEA has traditionally been the banker of Sonatrach. Since the beginning of 1980 it has, in one respect at least, had virtually no work.

This is because Algeria has vanished from the international capital markets. Enhanced earnings from oil and gas (np more than 50 per cent to $9.7bn last year and expected to rise to around $14bn in 1980) have combined with the shift in emphasis away from heavy industrial projects and the long wait for the new five-year plan to reduce the country's need for external finance.

In 1978 Algerian borrowers raised $3.2bn in loans and bonds on the international capital markets and in 1979 the total was $2.1bn. At the beginning of this year, when the last large loan for BNA was negotiated, the amount of external borrowing arranged had risen to $21bn-22bn, of which $15.5bn had been drawn down.

Algeria's disappearance from the market is somewhat ironical as a growing number of Western bankers appear to believe that this borrower should obtain better terms relative to other borrowers. Until last autumn Algerian borrowers, not for more than a decade, a large hard income. His least Sonatrach, paid more for its loans than neighbouring Morocco and other less developed countries (LDCs), whose financial situation is far more shaky.

This position changed recently. The terms of the BNA loan—a split spread of ⅞ per cent and one per cent over the London interbank offered rate (Libor) for ten years—compare favourably with the margin the Kingdom of Morocco is paying on the $300m loan it has just completed through UBAF—a split spread of 1-1⅛ per cent.

The reason why Algerian borrowers had previously to pay over the odds was that the country's bankers had proved to be difficult negotiators over the years. They never succeeded in establishing an easy rapport with the major international banks, even with those which were well disposed to them in the early days. There was also a lack of co-ordination in the country's borrowings.

Falling

Though Algeria's debt service will rise in absolute terms, the debt service ratio—defined as the ratio of repayments to convertible currency income—is falling. Last year it increased from 24 per cent to an estimated 27 per cent. A fall to around 22 per cent is expected for 1980.

Algeria's reputation has been enhanced by the smooth transition to the post-Boumedienne period. Algeria could also bring a new approach to capital markets after the fall from favour of Mr. Belaid Abdessalam, until last year the powerful industrial overlord in Algeria. The country's bankers were not held in high regard by Mr. Abdessalam and he often failed to take note of some of the finer points of international financing, such as the co-ordination of fund raising operations.

That was all the more a loss for Algerian borrowers as their country, unlike so many in the Third World, has a well respected central bank, run since independence by the same man, Mr. Seghir Mostefai. He needs no practice in the workings of the international capital markets.

Francis Ghilès

Interest rates jolt Qatar

UNTIL THIS year banking in Qatar was very much a reflection of the small community and quiet unruffled economy which it serves. Unlike the oil sheikhdoms nearby, Qatar has always taken its growing oil wealth in its stride, avoiding the temptation of pumping oil funds into the economy through prestige projects and lavish Government facilities in order to keep its merchant elite happy.

The results of this cautious development policy is immediately apparent in its capital Doha, which remains relatively unscathed by wild development, unlike some other Gulf cities. Three years ago the Government moved to prevent a land speculation spiral by blocking credits for property investment. The result is full villas and high rents, instead of the overbuilding and plummeting prices found elsewhere in the Gulf. At the same time the Government slowed up payments on its major construction projects, a tactic which led to a considerable easing of the economic pace. Such methods enabled Qatar to avoid the type of inflation rates of 30 per cent and more which other oil economies suffered.

However, such was the Government's desire to keep down inflation and restrain its expenditure that commercial circles in the capital now grumble at the near-stagnation which has resulted in Qatar's oil prices may continue to soar and the surpluses mount up, but very little of it is felt in Doha.

Imported

In 1978 imports actually went down and last year they showed only a 15 per cent growth in money terms, most of which can be accounted for by imported inflation.

Government spending, which largely determines the economic pace, is always difficult to assess in Qatar, and although the 1980 development budget shows a 27 per cent increase, it is not clear how much of this will actually be spent.

This almost slumbering economy suffered a severe disturbance early this year with the jump in international interest rates. All Gulf States were affected but in Qatar domestic interest rates are governed by its central monetary authority, the Qatar Monetary Agency, and were pegged at between 4 and 6.5 per cent on deposits and between 7 and 9.5 per cent on advances. Coupled with the deteriorating political events in the region, the result of these low rates—at times some 10 per cent less than those available outside—was a massive outflow of funds.

The banks' deposit base, untouched by the growing oil wealth, therefore showed very little growth. The banking community was further hampered by the fact that the semi-State Qatar National Bank was absorbing some 50 per cent of the business, and so competition for what funds there were was extremely fierce.

Such was the outflow that by last May the consolidated balance sheet of the country's 13 commercial banks shows that the ratio of advances to deposits was standing at 101 per cent. Advances were QR 3.7bn compared with deposits of QR 3.6bn. This situation had been slowly building up; the March figures showed a ratio of 93 per cent. Much of this outflow went into short-term deposits overseas—not many of them over three months' maturity, believe London bankers.

However, most banks now say that once the money has been shifted, then it is likely to stay where it. This would apply even if the domestic interest rates improved dramatically—such are the nervousness and political tensions of the Gulf area nowadays.

But the outflow which reached a peak earlier this year has now been largely stemmed with the dropping of dollar interest rates. The latest available figures from the Qatar Monetary Agency (QMA) show that in June the overall liquidity ratio of the commercial banks improved. Advances are 87 per cent of deposits, QR 3.3bn compared with QR 3.8bn for deposits. Even so it shows very little growth in deposits for an oil economy.

Despite the critical period of last May, the Government has consistently resisted pressure from local banks to increase local interest rates. Such a move would, they felt, push up the inflation rate considerably. Another major consideration was religious, for any increasing interest rates is an extremely sensitive issue in this puritan Wahhabi community.

Officials of the Qatar Monetary Agency now feel that the banks are in much better shape than before, although they think that a liquidity ratio of 75 to 80 per cent is perhaps more desirable. "You can't expect our banks to react just like Citibank in New York can. Besides, you must never underestimate the cultural factor here concerning interest," one official emphasised.

Such sentiments about the high rate of international interest rates may have also been a contributory factor in the Government's move to pay off the bulk of its Eurodollar loans ahead of schedule this year. At the beginning of 1980, the largest loan for $350m was pre-paid, and in August this was followed by the paying off of another for $175m. Both were for Qatar's various industrial projects such as the petrochemical and steel plants, which had been finding the high rates burdensome to their profits.

Nevertheless the possibility of increasing domestic interest rates is still a subject for discussion says the QMA, as is the introduction of swop facilities, which local bankers feel are very much needed.

No-one is expecting any bankruptcies in Qatar for the local merchants are known for their quiet overseas investments. There were "one or two names in difficulty" however. All sectors are pushing for an injection of liquidity from the Government in order to inject life into the economy.

The Government share of bank deposits is a meagre 1 per cent on the local currency side, the June figures show, and on foreign currency 20 per cent. There seems no let-up either from the Government's policies to avoid spending on lavish projects, though the Qatar University and the Sheraton Hotel are keeping a breath of life in the economy. Nevertheless the decision finally to give the construction contract for the Sheraton to Koreans was not popular in Doha because of the Koreans' tendency to order all supplies from home.

Kathleen Bishtawi

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The Police and the Public

Mr. Whitelaw's hidden melody

IAN DAVIDSON considers the view of the Home Secretary that the relationship between police and public needs to be re-examined.

AT HIS public engagements, Mr. William Whitelaw tends to sound a bit like an untuned loudspeaker: plenty of bottom, but not much top.

It is a politician's trick, no doubt, for it unfailingly has a soothing effect on the boom-boom, woof-woof brigade of middle England. He seems to give the impression that he is quite happy to trot out the comfortable, orotund clichés that people like to hear even when he knows (or should know) that he is talking waffle or worse.

But sometimes, at least, the superficial impression is deceptive: the boom-boom is there all right, in abundance, but in between there are other, softer notes which transform the total effect of the performance. A case in point is the speech which Mr. Whitelaw gave last week in Edinburgh on the subject of The Police and the Public. He spoke of the British tradition of policing by consent, of the image of the friendly bobby, of the popularity of the police in the public opinion polls, of the pressures and difficulties facing the police in the modern age. He also spoke of the criticisms and controversies which have surrounded the police in the past year or so, but he gave the impression of dismissing these criticisms as being "facile and loaded" or "exaggerated." I have little doubt that the generality of his audience believed that they were hearing another heart-warming rendition of that old favourite The Policeman's Friend.

The real message of the speech was significantly different. No doubt Mr. Whitelaw is the policeman's friend, both personally and, in his capacity as Home Secretary, professionally; no doubt he believes, as any sane person must, that we have so far been very lucky in the general character and quality of our police forces compared with many other so-called civilised countries.

But the hidden melody in his speech was that something — and something quite subtle — has gone wrong in the relationship — political, constitutional, philosophical — between the police and the rest of us. What is needed to put it right, he implied, would be correspondingly subtle, a matter of fine tuning of existing institutions and arrangements. However, no reader of his speech could be in any doubt that the Home Secretary thinks that relationship needs some attention, and needs it now. In that sense, his James Smart lecture may well go down as a milestone in the enunciation of police policy in this country.

The trouble is that, if there is a "police problem," it is not a single, simple phenomenon. A slightly crude simplification would divide the problem into two, with police wrong-doing, on the one hand, and police policy, on the other. The category of wrong-doing raises the question of how the police are themselves policed; the question of police policy raises the question of how policy decisions are reached, and to what extent these decisions fit in with the desires of the public at large on the one hand and by our political masters in Westminster (and Whitehall) on the other.

In the last resort—or perhaps it is in the first resort—the problem of police wrong-doing depends essentially on ensuring that the most senior police officers are men of rock-like integrity. The two primary focuses of possible police wrongdoing in the recent past have been allegations of brutality, and of corruption in the Metropolitan Police. It is not surprising that both these issues remain unsatisfactorily in the "not proven" tray.

Operation Countryman was set up on a massive scale, evidently because there were spectacular indications of collusion between London detectives and their criminal "clients," but it is being wound down with rather meagre results in terms of prosecutions.

Men of rock-like integrity

The Commons Select Committee looking into deaths in police custody inevitably failed to find any evidence of generalised police brutality—inevitably, because how would they find out—but quite explicitly declined to assert that there had been no cases of brutality.

The fact that the police have a very formal structure with a heavy emphasis on rank, discipline and esprit de corps, and the fact that there is a natural danger of things going awry when they come into contact with their customary clients—crowds, criminals, minorities, the young, the unemployed—together make it very difficult for outsiders to find out what really happened.

But does that mean the police should be left to police themselves? Sir Robert Mark, the previous Commissioner of the Metropolitan Police, believed so, and so strongly that he was prepared to retire early in protest against the setting up of the Police Complaints Board three years ago. In practice the change was minimal: the police have continued to investigate complaints against them, while the Board's role has been to review the results of investigation, making sure, where appropriate, that policemen were disciplined.

In its triennial review, the Board has made a recommendation which would constitute a radical departure: that, for the investigation of the most serious complaints against the police, a specialist group of officers should be created, who would be answerable not to another policeman, but to a lawyer or magistrate. This recommendation is being looked at by a working party, and is reputed to have caught Mr. Whitelaw's interest.

But there is a more general point made by the review which is considerably more interesting, and which is addressed to that grey area which lies between incontrovertible wrong-doing and policing policy: "It is clear," it says, "that many complainants regard the possibility of disciplinary action as of secondary importance or are indifferent to it, and see their complaint as directed towards some wider issue which could not be resolved by disciplinary action." A complaint against an officer who is in fact carrying out standing orders, is in reality directed against those standing orders.

This goes to the heart of the problem of policing policy. On the one hand, every serious policeman subscribes in principle to the often-uttered doctrine of policing by consent. Chief Constables may, and indeed do, differ quite widely in how they interpret this doctrine in practice. But there is widespread adherence to the idea of maintaining the image of the friendly bobby and an equally widespread aversion from anything which would mean the police going down the road taken by the feared paramilitary Compagnies Républicaines de Sécurité (CRS) in France.

On the other hand, Chief Constables jealously guard their operational independence, and in that sense they jealously guard also their right to judge whether and how to secure community consent. Historically, this country has always been concerned to protect police policy from party political interference, whether at local or at national level. But in the process it begins to look as if those necessary links between the police and our democratic institutions may have been weakened below the minimum essential level.

The Home Secretary in general, and police authorities at local level, are nominally responsible for the police, but their formal powers to decide, or even discuss, police policy are exiguous or non-existant. They provide the money and appoint Chief Constables, and that is about it. There is a General Inspector of Constabulary, who reports to the Home Secretary, but he is a policeman whose primary focus is on efficiency in a rather narrow sense; he does not inspect the Met, since the Commissioner is deemed capable of inspecting himself.

Perhaps this system used to work well in the past: the police got on with the job, and the rest of the population was relatively content to let them do so. But it does not seem to work so well now because of increasing police concern with problems of public order: demonstrations, marches, industrial disputes, football hooliganism, terrorism. Pure crime has been falling in the last couple of years (not in all categories, of course), but these large-scale policing problems are on the increase.

By definition, when a large-scale disturbance breaks out, it cannot be dealt with by the friendly bobby on his own. But when the police respond with saturation policing, and take advantage of modern technology to do so, libertarians become very sensitive—perhaps hypersensitive—to the danger that the police are, consciously or unconsciously, edging towards a more quasi-military approach.

Public order disturbances

No doubt these anxieties are, for the time being, and in general, somewhat overdone. What makes it necessary to reconsider the political and constitutional relationship is that the question of public order policing is essentially a political question: political because many public order disturbances have their roots in politics rather than in crime, even if crimes do also take place.

These public order problems are not going to go away. The fragmentation of society, according to Mr. Whitelaw, is likely to continue, and there will be additional pressures arising from the resentment of ethnic minorities, structural change in the economy, and what he chastely referred to as "greater leisure time" (i.e. the probability of rising structural unemployment).

Characteristically, Mr. Whitelaw does not think that these problems call for any major change in the organisation of the police; but he does think that the existing arrangements should be made to work in a profoundly different way. He asserted—for the first time, so far as I am aware—the Home Secretary's right to "represent to the police the views and requirements of the community as a whole."

Secondly, Mr. Whitelaw said that "it has become increasingly desirable that police authorities should see themselves not just as providers of resources but as a means whereby the Chief Constable can give account of his policing policy to the democratically elected representatives of the community and, in turn, they can express to him the views of the community on these policies."

This is revolutionary talk, but it may not mean very much unless chief constables take the hint, and seize the opportunity for sharing a political responsibility which is not an essential ingredient in their operational independence for fighting crime.

It is curious, however, that Mr. Whitelaw's speech did not mention the role of the Inspectorate of Constabulary. The logical inference of the triennial review of the Police Complaints Board is that the Chief Inspector should in future not be a policeman, that his function should go beyond the assessment of mere efficiency, and that he should have a closer relationship with parliament.

Who knows, perhaps he should even be required to report on the Met? But that is just a descant of my own; it does not appear even in the interstices of the boom-boom of Mr. Whitelaw's Edinburgh speech.

Terry Kirk

Police contain pickets at the recent Isle of Grain power station dispute.

Letters to the Editor

Runaway money supply

From Mr. T. G. Arthur

Sir,—Miss Clare Macdonald (Letters, September 17) in "getting down to basic principles" (for which she has my full support) argues that in order to control money supply the State must reclaim its rightful role which the banks have usurped, and become the only money-issuing authority. May I respectively suggest that she reads her history?

The banks did not usurp the State's role. The phenomenon of money grew up over centuries in the market place, money being always a commodity which was valuable in its own right. As time progressed, gold became the most commonly used commodity, and any bank notes issued were 100 per cent backed by gold—otherwise the bank was unsuccessful due to lack of trust. Less than 150 years ago there were over 100 sound banks in Scotland alone (which may interest Miss Macdonald especially) with complete freedom to issue notes and credit; no inflation resulted.

This role was then usurped by Government, but while a strict gold standard operated inflation could not, and did not, occur. We all know what has happened since the Government removed commodity backing for its money.

The trouble with the present hybrid is not that free market banks are creating credit; it is that quasi-free market banks are backed by the Bank of England as a lender of last resort; it will never allow a major bank to collapse and it absolves other banks from holding the resources to pay out their creditors.

No doubt Miss Macdonald is right in saying that if you want to control money supply, you could achieve it by becoming the sole issuing authority. But why should Government want to control money supply? There has been no sign of this for decades, until the rather half-hearted efforts currently being made, and Mrs. Thatcher won't be around for ever. Expanding money supply is very convenient for Government since the process effectively raises money for Government without overt taxation.

I entreat Miss Macdonald to remember that a Government powerful enough to give you all you want is also powerful enough to take it all away.

T. G. Arthur,
17, Highfields Road,
Edgbaston, Birmingham.

Underpaid nannies

From Mrs. Kate Phylaktis

Sir,—Certain comments need to be made about the letter (September 16) concerning the employment conditions of trained nannies. First, Mrs. Sheppard does not realise that the economy is going through a recession and as a result all vocations are suffering. There is an incredible glut of both trained and untrained nannies. For every advertisement there is at least 100 responses. Being a matter of supply and demand, salaries are therefore low.

Secondly, the NNEB qualification provides one with a minimum knowledge of how to look after a child. Theory is very different from reality, especially when it relates to human beings. An 18 year old with the NNEB qualification in her first job is like an apprentice and, as with all apprenticeships, financial reward is low.

Finally, one has to have a sense of reality concerning the actual salary. An 18 year old with the NNEB qualification, working in London will earn a minimum of £25 net, plus accommodation and board. May I ask Mrs. Sheppard how many 18 year olds, does she know, who can save this sort of money per week?

Kate Phylaktis,
40, Belsize Avenue, NW3.

Irritations of credit

From Mr. C. H. Duff

Sir,—People who proffer credit cards for footling purchases are a source of irritation to those of us who are prepared to offer something called "cash" for what we buy. The time taken by the seller to record the transaction is not inconsiderable and in some cases considerable when the credit card has disappeared into the depths of a handbag, the pen is lost and the platen mislaid at the paying point.

There is good reason to prefer those who proffer cash by providing cash payment points and let those with credit cards pay elsewhere and delay each other. Alternatively I suggest that credit cards should be made valid only for purchases for not less than £25 in total.

C. H. Duff.
Modingley,
5, Oak Lodge Drive,
Redhill,
Solfords, Surrey.

European agriculture

From Mr. James Scott-Hopkins, MEP, leader of the European Democratic Group, European Parliament

Sir,—It is a pity that your Brussels correspondent's tale concerning Sir Henry Plumb and the European Democratic Group's working party on agriculture (September 12) was so muddied and mischievous.

Sir Henry is the distinguished chairman of the European Parliament's Committee on Agriculture, a post to which he brings unrivalled knowledge and experience. Given the great importance rightly attached to agriculture in the Community, the Parliament's Agriculture Committee has an onerous task which is very demanding on the time of its members, and particularly that of Sir Henry.

I therefore came to the conclusion—with great reluctance but with the full agreement of Sir Henry — that it was unrealistic to expect him to continue to carry the burden of chairing the group's own working party on agriculture in addition to the heavy demands of chairing the Parliament's Committee on Agriculture.

There is no question of Sir Henry or others in the European Democratic Group being "unsympathetic" to a re-examination of the Community's Common Agricultural Policy. Proposals put forward by the group's own working party on agriculture will in due course be considered by the group as a whole, and it will be at that stage that the future policy of the group in this area will be determined. Sir Henry, with his long agricultural background, is deeply respected in the group, and it would be ludicrous to imagine that conclusions will be reached without his views carrying considerable weight.

James Scott-Hopkins.
Strasbourg.

Pay rises and monetary targets

From Professor Patrick Minford and Professor Robert Nobay

Sir,—According to Peter Riddell (September 10), believers in rational expectations held "naive hopes" about wage increases moderating rapidly in the face of monetary targets. But, as he goes on implicitly to recognise, any such "hopes" were conditional on Government policies having full credibility as a medium term strategy.

This condition only began slowly to be realised in the early part of this year. Given the long term nature of wage contracts and earlier commitments on public sector wages, it was inevitable that the effects of these policies on wages would come through with some lag. Recent negotiations clearly reveal that this is now happening.

The effects come through much more quickly in the financial markets where contracts are continuously re-priced. The strong pound and the reverse yield curve are both the result of expectations that monetary policies will cause a substantial slowdown in inflation. The pound's strength is then familiarly a major transmission mechanism for slowing inflation.

Two widespread competing views are that North Sea oil has substantially strengthened the pound independently of monetary policy and that it is the recession that is reducing wage increases.

North Sea oil is likely to cause some appreciation in the equilibrium real exchange rate, but it is very hard to put a figure even as high as 10 per cent on this effect using standard estimates of the trade elasticities. Furthermore, this effect would have largely occurred in the mid-1970s when the size of the oil find was broadly discounted. Few, however, were prepared to discern much of an effect in 1978 when the pound fell to around $1.60.

The major change since then has been in monetary policy. A rational expectations framework easily accounts for the swings in the real exchange rate *between these periods* in terms of monetary policy. Only a modest effect would be assigned to the rise in the real oil price since then.

Clearly too, the recession has some impact on wage increases. But many of those very same people who now proclaim this effect of recession were adamant only six months ago that any such effect would be small. And on this, broadly the evidence would have been on their side; according to a wide range of studies of UK wage behaviour, cyclical variables do not have a sizeable effect.

Indeed, one only has to look at the experience of the sizeable 1974-75 recession during most of which wages accelerated to see that the effect must be quite small. What does emerge as the major effect in these studies is price expectations. A rational expectations view of these also accounts rather well for the swings in wage increases.

On this view, wage increases should now moderate as new contracts are negotiated because of the prospective medium-term policy environment (even allowing for the lack of full credibility). The opposite was true in 1974-75 when there was a virtual absence of fiscal and monetary commitments.

The "lesson" of the past 18 months is that it is best to go for long-term monetary and fiscal aims fast and clearly. Delays and confusions prolong the period of inflation and cause markets to make mistakes in expectations which in turn cause fluctuations in output and employment.

After a slow start, this Government has broadly got on the right track. And in spite of the recent monetary problems, the Government's strategy is working; inflation is now coming down rapidly, much faster than envisaged in any of the "main stream" forecasts as little as six months ago. Recovery in output will not be long delayed once these gains are clearly consolidated.

But the problems raise unnecessary worries and must be solved soon. Any suspicion that the medium-term financial target strategy was being downgraded would lead to a disastrous financial crisis and lose all the ground so painfully won on the inflation front, as well as worsening the recession.

Samuel Brittan (September 11) rightly attacks "base drift" as a way of getting M3 back on course. Equally, while monetary base control remains the best technical method of control (and should have been adopted early on as the present problems clearly show), we can hardly afford in the near future any further institutional upheavals like the corset or its demise. Monetary base control should be brought in over a carefully managed transition period in which sterling M3 remains the major target variable.

Meanwhile, the best the Government can do is to bring sterling M3 back within the target range set for the February 1980-April 1981 period, after allowing for the estimated unwinding of the previous period's corset effects.

The public sector borrowing requirement has also to be kept to its target in 1980/81; recent signs of severe over-shooting require early compensating action. The Treasury says no further action is necessary; but the information it has so far provided carries little conviction. Equally, any delay in action reduces the chances of achieving the target.

Patrick Minford,
Professor of Applied Economics,
Robert Nobay,
Professor of Economic Science,
The University of Liverpool,
Eleanor Rathbone Building,
Liverpool.

Today's Events

GENERAL

UK: Ford (Europe), Renault, Volkswagen and the European Metalworkers Union are among those giving evidence at the European Parliament's Committee on External Economic Relations public hearing on problems facing the motor industry, Cambridge (to September 24).

Sir John Greenborough gives keynote address at opening of Clean Air conference, Bournemouth (to September 25).

Police Superintendents conference opens, Harrogate (to September 25).

Ambulance Officers conference, Harrogate (to September 23).

International Franchising Association conference opens, Hilton Hotel, London (to September 24).

Energy conservation debate: The implementation of combined heat and power generation, Building Centre, WC1, 5.30 pm.

International Broadcasting Convention and Exhibition, Metropole Hall, Brighton (to September 23).

Prince and Princess Michael of Kent attend ITV 25th anniversary dinner and ball, Grosvenor House, London.

International Ceramic Plant, Machinery and Supplies Exhibition opens, Bingley Hall, Stafford (to September 26).

Overseas: Mrs. Margaret Thatcher begins official visit to Greece (to September 24).

OFFICIAL STATISTICS

Department of the Environment gives details of new construction orders for July. Central Statistical Office publishes second quarter provisional figures for gross domestic product.

COMPANY MEETINGS

See Financial *Diary* on page 19.

COMPANY RESULTS

Final dividends: Emess Lighting. Estates Property Investment. A. J. Mucklow Group. Park Place Investments. Telefusion. Tor Investment Trust. J. Walker Goldsmith and Silversmith. Interim dividends: Beatson Clark. Dickinson Robinson Group. Estates and General Investments. Fisons. Garnar Scotblair. Ransomes Sims and Jefferies. Tarmac.

LUNCHTIME MUSIC, London

Piano recital by Gillian Spragg, St. Lawrence Jewry, Gresham Street, 1.0 pm.

Organ recital by Jonathan Rennert, St. Michael's Cornhill, 1.0 pm.

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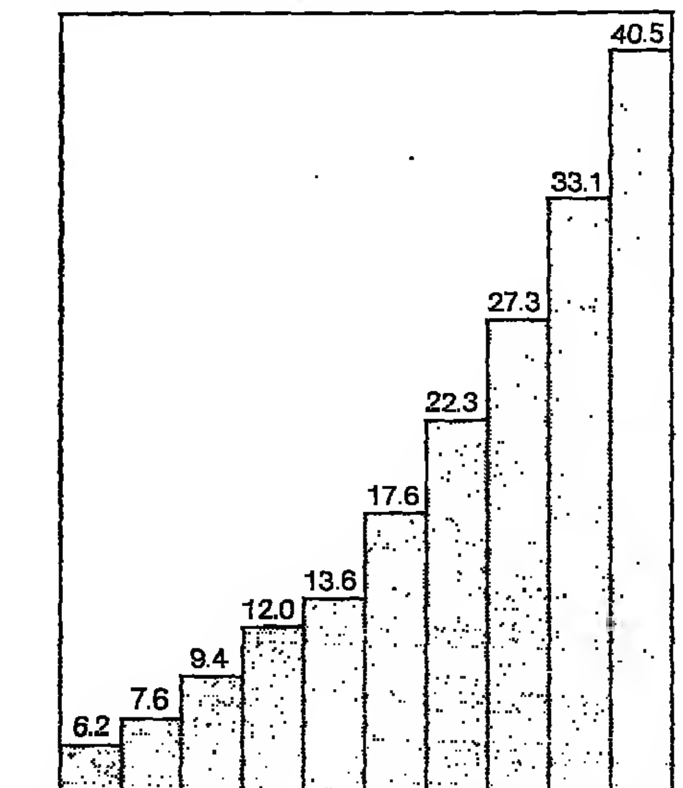

As at 30-6-1980.	(in millions of Dutch guilders)
Balance Sheet Total	44,124
Deposits	41,741
Loans	27,244
Risk-Bearing Capital	1,596

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Dunlop Malaysian buyers may unite

BY ANDREW FISHER IN LONDON AND WONG SULONG IN KUALA LUMPUR

SIGNS are growing in Malaysian business circles that the local buyers who have stealthily built up stakes in Dunlop Holdings are preparing to bring together their stakes prior to coming out into the open.

At the same time, the two UK Department of Trade inspectors appointed to find out the identity of the buyers are spending a week in Malaysia to continue their investigations on the spot. They are due to return on Wednesday and it is hoped their final report will be published next month.

All that is known for certain so far is that Mr. Ghafar Baba, a Malaysian politician and businessman, has been playing a key role in the share buying, which has died down in the past few weeks.

It was disclosed last week that one of Mr. Ghafar's companies, Goodyield Plaza, owned just over 7m Dunlop shares, or 5.3 per cent of the total, following a large purchase by a Goodyield subsidiary, Pegi Malaysia.

Mr. Ghafar himself, a former Agriculture Minister and one of the three vice-presidents of the ruling United Malays National Organisation (UMNO), says his companies have been buying into Dunlop because this represents a good investment.

But Malaysian financial circles are sceptical of this and feel that Mr. Ghafar will eventually make some sort of offer, however long he takes. Although Dunlop, whose half-year results on Thursday are likely to show a fall, has been suffering in the UK and continental Europe, its Malaysian estate and industrial interest have been doing well.

Analysts in Kuala Lumpur believe that several groups — possibly as many as 10 — and not antirely related, have been buying Dunlop shares. These are thought to include agencies owned by the wealthy East Malaysian states of Sabah and Sarawak. Some Brunei money is said to be involved too.

During the past three weeks, Mr. Ghafar has travelled to East Malaysia, and the tin-mining town of Ipoh, apparently for talks with Malaysian groups holding Dunlop shares. After being bypassed for the post of Deputy Prime Minister in 1976, he resigned as Agriculture Minister and turned to business.

Some Malaysians feel that Mr. Ghafar could probably muster up to 15 per cent of the Dunlop shares through his various companies, especially Komplek Kewangan, the semi-official Malay finance and investment group.

Some of his business associates have said in reply to questionnaires from the Department of Trade that they personally own a few million shares in Dunlop.

Although some Malaysian observers feel that local interests could control 30 per cent or more of Dunlop, the company asserts that it only knows of 20 per cent for certain, but believes that a further 5 or 6 per cent could also be Malaysian-owned.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether dividends are interims or finals and the sub-divisions shown below are based mainly on last year's timetable.

TODAY

Interims: Beetson Clark, Dickinson Robinson, Estates and General Investments, Fisons, Garnar Scotblair, Jersey Electricity, Ransomes Sims and Jefferies, Tarmac.

Finals: Emess Lighting, Estates Property Investment, A. and J. Mucklow, Park Place, Telefusion, Tor Investment Trust, James Walker Goldsmith and Silversmith.

FUTURE DATES

Interims:

Atlas Electric and Gen. Trust	Oct. 9
Berry and Wallace Arnold Trust	Oct. 14
British Home Stores	Oct. 22
British Syphon Industries	Sept. 30
Cakebread Robey	Sept. 24
Lyle Shipping	Oct. 3
Office & Electronic Machines	Sept. 25
Provident Life	Oct. 14
Royco	Sept. 30

Finals:

Beckman (A.)	Oct. 1
Celtic Haven	Sept. 23
Marler Estates	Sept. 24
Milln and Allen International	Sept. 24
Parker Knoll	Sept. 29

FT Share Information

The following securities have been added to the Share Information Service appearing in the Financial Times:

Houston Oil and Minerals Corporation (Section: Americans).

St. George's Laundry (Worcester) (Industrials).

Sea Containers (Shipping).

Shackleton Petroleum Corporation (Oil and Gas).

Westland/Utrecht Hypotheekbank NV (Banks).

Profits up at Amey Roadstone

Despite a setback in the contracting subsidiary, progress continued at Amey Roadstone Corporation in the year to June 30 with turnover up from £361.07m to £430.13m and pre-tax profits of £35.77m against £35.03m.

Mr. J. H. Wood, says in the annual report that again, the objective, for the coming year is an increase in profit and he believes this will be achieved.

Bigger loss for Newey

Higher interest charges of £300,750, against £212,683, have pushed Newey Group deeper into the red. For the half year to June 29, 1980, the group incurred a taxable loss of £65,034, compared with a deficit of £42,640.

Last year's figure included a temporary employment subsidy of £219,586.

After a tax charge of £24,321 (£43,288 credit) and an extraordinary credit of £32,093 (£189,160 debit) there was an attributable loss of £57,262 (£188,512). There is again no interim dividend.

The company, which is a wholly-owned subsidiary of William Prym-Werke K.G., manufactures and distributes smallware.

JOHN BROWN

John Brown and Company has purchased £164,200 of the 6½ per cent debenture stock 1984-89 for redemption. The amount now outstanding is £2,213,922.

SPAIN

1980 High	Low		Sept. 15 Price %
246	203	Banco Bilbao	241
275	217	Banco Central	275
220	203	Banco Exterior	214
236	200	Banco Hispano	220
137	117	Banco Ind. Cat.	120
175	141	Banco Madrid	141
282	237	Banco Santander	275
190	138	Banco Urquijo	138
252	208	Banco Vizcaya	252
244	200	Banco Zaragoza	244
123	75	Dragados	117
73	58	Espanola Zinc	72.50
66	53.2	Fecsa	64
40	23.2	Gal Preciados	35
71.7	58.7	Hidrola	68.50
68.2	57.5	Iberduero	65.70
123	100.7	Petroleos	118
92	59	Petroliber	89
115	107	Sogefisa	107
65.5	51.5	Telefonica	63
70.5	58.2	Union Elect.	69.50

Executex improves midway

The recovery by Executex Clothes in the second half of 1979 has continued in the current year. Taxable profits for the six months to June 30 were up from £80,100 to £96,000 on sales ahead by almost £200,000 at £1.07m.

This is in line with the directors' statement last April.

In their interim statement they say trading conditions are still difficult but with the acquisition of W. J. Fotherby (Clothing Manufacturers) and the successful integration of its management they look to the future with optimism.

The six months' surplus includes two months' contribution from Fotherby.

The interim dividend is raised from 0.667p to 0.7337p net.

There was no tax charge for the half year against £3,200.

Former BSC chief in team behind new oil services group

BY RAY MAUGHAN

TWO DIRECTORS of Glasgow Pavilion have teamed with the former chairman of British Steel, Corporation, Sir Monty Finniston, to launch a new oil services group, Branon, which makes its debut on the unlisted securities market this week following the placing of almost 3m shares at 100p per share.

Mr. Michael Abbott, who also heads the construction group Drake and Scull, Mr. Stephen Komlosy and Sir Monty have subscribed for 760,000 of the shares placed. Branon's three subsidiaries were offered to Mr. Abbott about nine months ago from the shrinking stable of UK companies owned by Mr. David Rowland's Williams Hudson Group.

Branon is forecasting same profits again of £220,000 in the financial year to end-March, 1981, from the Abarthorpe Oilfields Services and Centralube and subsidiaries Arrow Construction Equipment has been ommitted from the forecast since profits cannot be accurately predicted this year following the award of a £8m two-year contract to supply equipment trailers for the Ministry of Defence. Last year Arrow lost £120,000 after writing off £160,000 development costs for the MoD contract.

Abarthorpe manufactures road maintenance equipment and has had a steady record since its foundation in 1972 to reach around £160,000 last year. Centralube's profits, however, are somewhat less predictable given the highly specialist nature of its automated lubrication consoles.

Branon is still waiting to announce the appointment of a managing director and, in the meantime, Sir Monty will combine the role of chief executive with his chairmanship of the company.

Dividend payments will commence as soon as possible, the directors say, and it is probable that a first and final distribution will be made this year.

The Glasgow firm of stockbrokers, Parsons and Co., handled the placing.

special credits of £16,921 (£15,198) and extraordinary charges of £87,725 (nil).

After a tax credit of £996, compared with a charge of £22,724, there is a stated loss per 5p share of 4.5p, against earnings of 9.5p. The directors are passing the preference dividend.

Sales rise at Grand Metropolitan

External sales of Grand Metropolitan, excluding Liggett Group Inc., increased by about 18.3 per cent in the nine months to June 30, 1980, compared with the corresponding period, state the directors.

The figures include overseas sales which are converted into sterling at the rates of exchange ruling at the end of each period.

LIDSTONE LOSS: DIV. PASSED

Lidstone, the property investment company and butcher, went into the red in the 12 months to July 19, 1980. The company announced a taxable loss for the period of £51,513, compared with a profit of £42,780 for the previous 53 weeks. Turnover during the year slipped from £867,353 to £806,794.

The loss was struck after

M. J. H. Nightingale & Co. Limited

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£000's capitalisatn.	Company	Last price	Change on week	Gross Div (p)	Yield %	P/E
2,891	Airsprung	50	− 1	6.7	13.4	3..
550	Armitage and Rhodes	22	—	1.4	6.4	9.1
10,570	Bardon Hill	173	+ 3	9.7	5.6	6.3
740	County Cars 10.7% Pf.	74	—	15.3	20.7	—
6,696	Deborah Ord.	97	—	5.5	5.7	4.8
4,574	Frank Horsell	122	− 1	7.9	6.5	3.8
5,535	Frederick Parker	66	—	11.0	16.7	3.0
1,767	George Blair	83	− 1	3.1	3.7	—
2,025	Jackson Group	81	− 2	6.0	7.4	3.1
16,700	James Burrough	121	+ 3	7.9	6.5	9.9
3,111	Robert Jenkins	305	—	31.3	10.2	—
3,385	Torday	220	− 1	15.1	6.9	3.1
2,404	Twinlock Ord.	11½	− 1½	—	—	—
2,266	Twinlock 15% ULS	83	− 1	15.0	18.1	—
6,886	Unilock Holdings	45	− 1	3.0	6.6	6.9
12,633	Walter Alexander	100	− 1	5.7	5.7	5.9
5,671	W. S. Yeates	243	− 2	12.1	5.0	4.0

† Accounts not prepared under provisions of SSAP 19.

FINANCE FOR INDUSTRY TERM DEPOSITS

Deposits of £1,000-£50,000 accepted for fixed terms of 3-10 years. Interest paid gross, half-yearly. Rates for deposits received not later than 9.10.80.

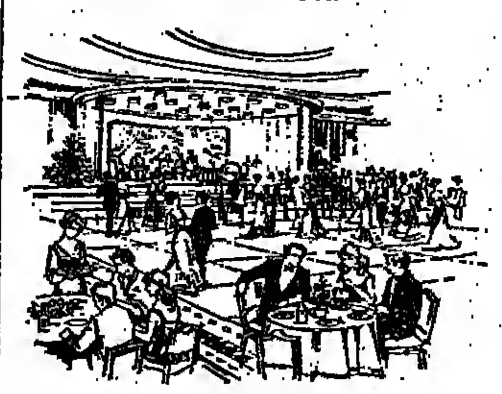
Terms (years)	3	4	5	6	7	8	9	10
Interest %	13	13	13	13	13	13	13	13

Deposits to and further information from The Chief Cashier, Finance for Industry Limited, 91 Waterloo Road, London, SE1 8XP (01-928 7822, Ext. 367). Cheques payable to "Bank of England, a/c FFI." FFI is the holding company for ICFC and FCI.

Comfort Hotels International

* Comfort, with 22 hotels in Britain and overseas, and over 100 Strikes restaurants and Dayvilles ice cream parlours, is one of the largest independent public companies in the hotel and catering field.

* 1979 profits were a record. Earnings per share increased 24% and dividends 20%.



* Substantial benefits from recent group expansion and improvement schemes should be obtained in 1981 and the years to come.

The Rainbow Room in Kensington High Street, London, part of Comfort's exciting new 30,000 sq. ft. banqueting, conference and entertainment centre.

This advertisement is issued in compliance with the requirements of the Council of The Stock Exchange. It does not constitute an offer of, or invitation to the public to subscribe for or to purchase, any securities.

$100,000,000

GMAC Overseas Finance Corporation N.V.

(Incorporated in the Netherlands Antilles)

12% NOTES DUE OCTOBER 1, 1987

Payment of principal and interest unconditionally guaranteed by

GENERAL MOTORS ACCEPTANCE CORPORATION

(Incorporated in the State of New York, U.S.A.)

The following have agreed to subscribe for the Notes:

MORGAN STANLEY INTERNATIONAL

ALGEMENE BANK NEDERLAND N.V. — BANQUE BRUXELLES LAMBERT S.A. — COUNTY BANK Limited

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NOMURA EUROPE N.V. — SALOMON BROTHERS INTERNATIONAL — SOCIÉTÉ GÉNÉRALE

SOCIÉTÉ GÉNÉRALE DE BANQUE S.A. — SWISS BANK CORPORATION INTERNATIONAL — WOOD GUNDY Limited

The Notes, in the denomination of U.S. $1,000 each issued at 99½ per cent, have been admitted to the Official List by the Council of The Stock Exchange, subject only to the issue of the Temporary Note. Interest is payable annually in arrears on 1st October, commencing on 1st October, 1981.

Particulars relating to the Notes are available in the Extel Statistical Services Limited and may be obtained during normal business hours on any weekday (Saturdays excepted) up to and including 6th October, 1980 from the brokers to the issue:

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Special ships for special needs: Meet NYK's new heavyweight champ.

NYK's Wakagiku Maru is a super-heavy lifter equipped with a 500-ton derrick. It also has a set of 31-ton twin traveling cranes, two sets of 20-ton standard cranes and a set of 25-ton twin derrick cranes. On its maiden voyage in February 1978, it carried 20,000 tons of plant equipment from northern Japan to the Gulf.

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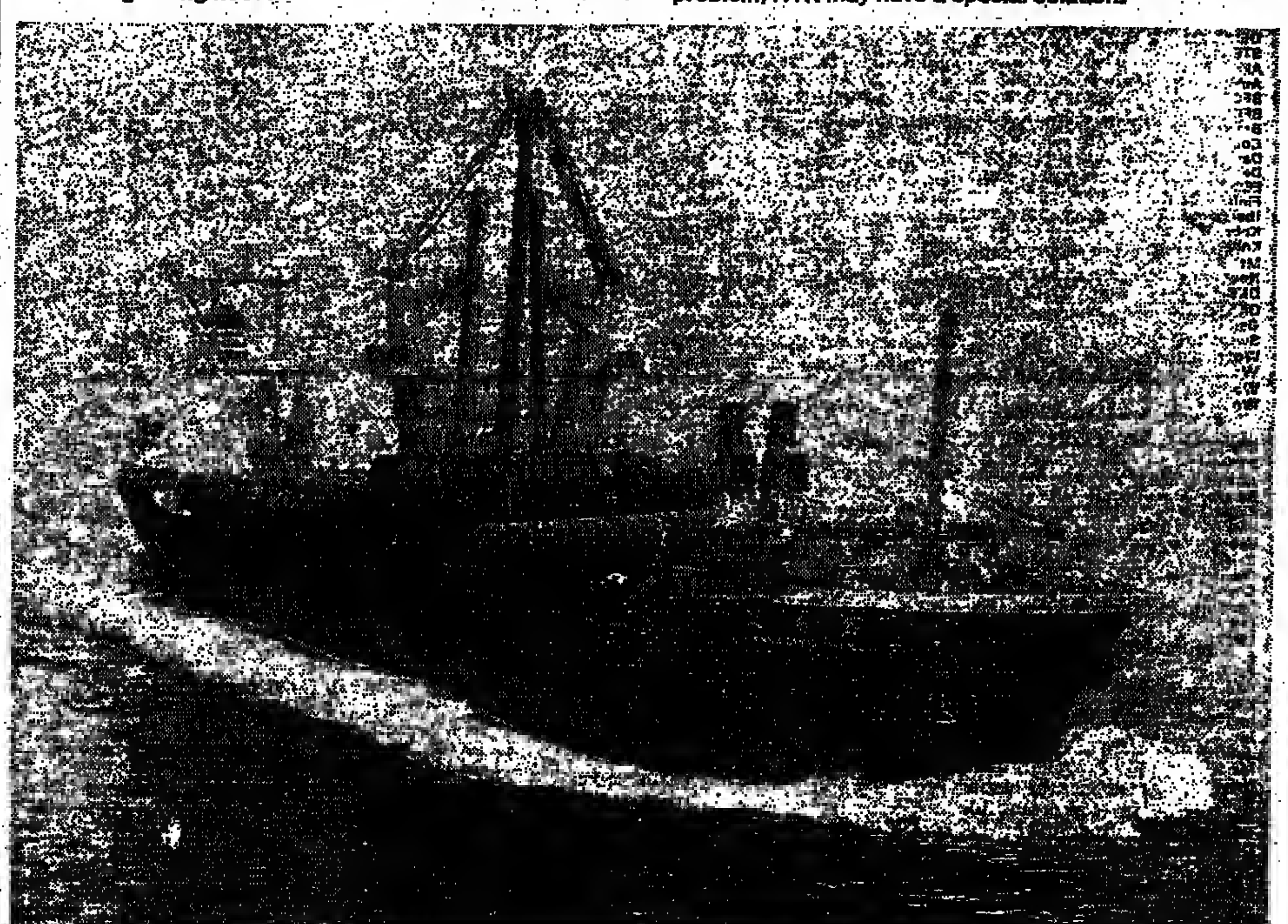
Other NYK specialty ships include those designed to transport industrial plants, pulp, logs, mineral ores, L.P.G., and crude oil. The company is always Japan's pioneer in containerization, with six main routes now containerized.

By keeping up with the times in these and other ways, NYK has demonstrated a remarkable growth record throughout its 90-year history. As world trade expands and trading patterns change, NYK's versatile fleet is able to adjust to these changes quickly and efficiently. Resulting in better, more economical services for our customers around the world. If you have a special shipping problem, NYK may have a special solution.



NYK Line NIPPON YUSEN KAISHA

Head Office: Tokyo, Japan. London Branch Office: [illegible] House, 16 St. [illegible] Street, London. Other Overseas Offices in Europe: Düsseldorf, Hamburg, Paris [illegible]

PRIVATE PLACEMENT — AUGUST 1980

These securities having been purchased, this announcement appears as a matter of record only.

Export Development Corporation

(An agent of Her Majesty in right of Canada)

Société pour l'expansion des exportations

(Mandataire de Sa Majesté du chef du Canada)

Can. $25,000,000

11⅜% Notes Due 1985

Kuwait International Investment Co. s.a.k. — Credit Suisse First Boston Limited

Daiwa Europe N.V.

INTERNATIONAL BONDS

BY FRANCIS GHILES

A varied patchwork of issues

DIVERSITY is the name of the game in the Eurobond market at present. Persistent uncertainty about the trend in U.S. interest rates and the true state of that country's economy is keeping investors away from fixed interest rate dollar paper. But rich pastures exist elsewhere and quite a few of them are being extensively grazed at present.

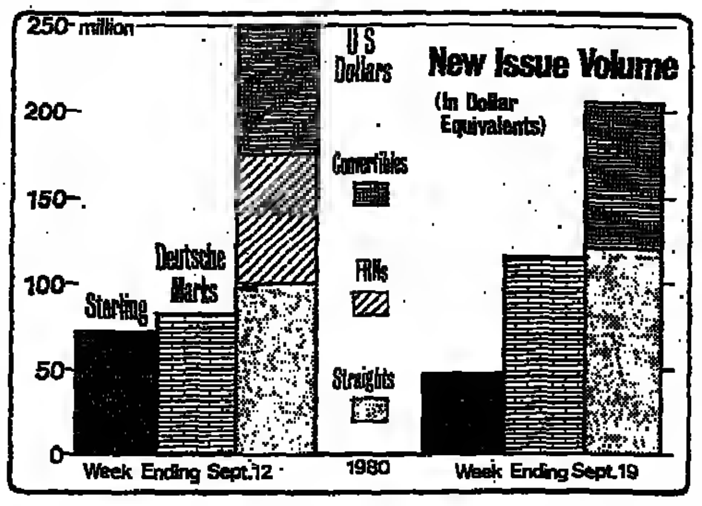
Convertibles are one of the favourite hunting grounds: last week two British companies, Taylor Woodrow and the Hanson Trust, and one Japanese company, Nissho Iwai Corporation, decided to issue such paper. Bankers noted with interest that the three managers in the Taylor Woodrow issue were KIIC, Wardley Ltd., and Merrill Lynch, which suggested a broad geographical distribution.

By raising equity in this way, rather than through a rights issue, they hope to broaden the geographical spread of investors holding shares in the company. For the investor it can be a more rewarding way to buy equity than by buying into a rights issue.

Many recently priced convertible issues, the bulk of which have been arranged for U.S. and Japanese companies, are standing at a premium: the 8½ per cent convertible to 1990 for Tricorp Oil and Gas was quoted at 100¼-101¼ on Friday afternoon after the price had fallen below par during the morning—as a result, it appears, from a fair amount of paper being thrown back into the market by some French banks. Convertible issues are proving so attractive that the first French franc denominated issue of this type for many years was launched, for CIT-Alcatel last week.

Bankers agree that, with Tokyo shares riding high on one of the largest-ever foreign buying sprees of its kind and with the continuing rally on Wall Street, there is no reason to expect a sudden drying-up of this flow.

Arranging such issues, however, is not a risk-free business because perhaps as much as two-thirds of a given issue may be bought up by dealers more interested in making a fast buck than putting the paper away long term.



The sterling sector attracted one good name last week in the form of Banque Nationale de Paris but a rumoured issue for Euratom last Friday did not, in the event materialise. Prices of seasoned issues eased over the week, however.

In the fixed interest rate dollar sector, investor interest is now focused at the shorter end of the maturity spectrum, as witnessed by the two three-year issues announced on Friday, for Swedish Export Credit Corporation and Transamerica Financial Corporation.

Both issues are fairly tightly priced, though offering the investor a more generous yield than 12 per cent bond for GMAC to 1987 launched the week before last, which now stands at a 2¾ per cent discount from its 99¾ per cent issue price. New issue managers noted that Deutsche Bank, which had declined a management position in the GMAC issue, accepted such a position in the Transamerica issue.

Activity in straight dollar bond trading trailed off at the end of the week but prices edged ahead on Friday despite a number of major U.S. banks raising their prime lending rate by ½ per cent to 12½ per cent. Much of the activity earlier in the week had revolved around swaps but by the middle of the week, the yield disparities consequent upon the prices rises of the week before had all but ironed out.

The situation in the Deutsche Mark sector improved a little at the end of last week after the Bundesbank cut the Lombard rate and announced that it would continue its policy of offering assistance to the money markets. These measures apparently helped Deutsche Bank to sell most of the DM 200m private placement for Australia. They also pushed up the price of the Austria public bond, which had not met with an enthusiastic welcome earlier in the week.

The market, however, needs to be carefully nursed, according to German dealers. They warned that if the German Capital Markets Sub Committee, which meets today, decides on a new issue calendar above DM 500m, prices of seasoned issues could easily slide down again.

CURRENT INTERNATIONAL BOND ISSUES

Borrowers	Amount m.	Maturity	Av. life years	Coupon %	Price	Lead manager	Offer yield %
U.S. DOLLARS							
††Republic of Panama	25	1987	6	6¼◊	99½	Yamaichi, First Chicago (Asia) Singapore Japan Merch't Bks.	6.654◊
§‡Tricorp Oil and Gas NV	20	1995	15	8½	100	Schroder Wagg	8.50
‡§IAACS Co. Ltd.	25	1995	—	7¾◊	100	Yamaichi	7.50◊
††Banca Serfin	25	1986	5.2	7¾	100	CSFB	7.38
††Banco de Santiago	25	1986	5.5	6¼◊	100	Citicorp	6.35◊
§Marion Int. Fin. NV	20	1995	—	9¼	100	Blyth Eastman	9.25
§Hufy Intl. NV	10	1995	—	8½	100	Merrill Lynch	8.50
‡**EEC	20	1995	9.25	13	100	Hill Samuel	13.00
§Hanson Ov. Fin. NV	25	1995	—	9-¼	100	CSFB	*
§Taylor Woodrow	20	1990	10	8½-9	100	Hambros	*
Swedish Export Credit Corp.	50	1983	3	12	99⅞	Goldman Sachs Morgan Stanley	12.10
Transamerica Fin. Corp NV	50	1983	3	12⅛	99⅞	Morgan Guaranty	12.47
Nissho Iwai Corp.	40	1996	—	8	100	Nomura Europe Hill Samuel	8.00
STERLING							
§Jusco	10	1996	—	8		Morgan Grenfell, BNP	*
BNP	20	1991	10.25	13½		Kleinwort Benson	
D-MARKS							
‡Republic of Austria	150	1992	9½	8½	99½	Dresdner	8.32
‡**Australia	200	1987	—	8½	100	Deutsche Bank	8.25
LUXEMBOURG FRANCS							
Eurofima	500	1987	7	10½		Kredietbank Lux.	10.50
SWISS FRANCS							
††Udruzena Beogradska Banka	20	1990	8	6¼◊	99	Soditic	6.754◊
††Banco Central de Costa Rica	20	1990	—	7◊	100	Banque Gutzwiller Kurz Bungener	7.124◊
‡Voest Alpine	80	1990	—	5½	99¾	Credit Suisse	5.78
‡City of Oslo	80	1990	—	5½	100	Handelsbank	5.87
‡Japan Dev. Bank	100	1990	—	5½	99½	Credit Suisse	5.82
‡**Republic of Indonesia	75	1985	—	6½	100	UBS	6.50
FRENCH FRANCS							
‡Tradinvest Bank and Trust Co. of Nassau (g'teed ENI)	120	1985	5	13½	100	Caisse des depots Dean Witter, Soc. Generale	13.50
§Cit-Alcatel	180	1991	10	10½	100	Soc. Gen., CCF, Indosuez, Paribas	10.25
NORWEGIAN KRONE							
Eksportfinans	100	1985	5	10½	*	Christiana Bank, CSFB	*

* Not yet priced. ‡ Final terms. ** Placement. † Floating rate note. ◊ Minimum. § Convertible. †† Registered with U.S. Securities and Exchange Commission. ¶ Purchase Fund. Note: Yields are calculated on AIBD basis.

CREDITS

BY PETER MONTAGNON

Argentina comes back for more

ARGENTINA'S OIL concern, Yacimientos Petroliferos Fiscales, has awarded a mandate to a group of international banks to raise a $300m Eurocredit. Terms are slightly stiffer than those on the republic's last credit and appear to confirm the belief of many Euromarket bankers that the recent downward trend in Argentinian conditions has come to an end.

The credit is divided into two tranches, a $100m portion over five years with a flat margin of ⅞ per cent and a $200m portion over eight years with a margin of ⅞ per cent throughout.

They compare with a ⅝-⅞ per cent split spread on the $250m Republic credit which met with a lukewarm initial response from the market because conditions were seen as fine. Final returns, however, indicate that this credit achieved an eventual sell-down of some 48 per cent.

The banks involved in the YPF credit are: Arab Banking Corporation, BNP, Bank of Tokyo, Commerzbank, DG Bank, Lloyds Bank International, Arlabank, National Commercial Bank of Saudi Arabia and Nippon Credit Bank.

Meanwhile, Mexican deals continue to proliferate. Societe Generale is arranging a financing for Pemex against future receivables from Total International Ltd., a unit of Cie Francaise des Petroles. The amount is understood to be around $400m with a margin of ½ per cent over Libor for two years.

Brazil's tactic of linking financial credits with export finance seems likely to be taken a step further with a forthcoming borrowing for Petrobras. The tactic was recently applied to a credit for the Sao Paolo electricity utility, CESP. Alongside a major French export financing operation, banks were also asked to arrange a $100m syndicated credit for the same borrower.

The combination enabled Brazil to hold the spread on the syndicated credit down to 1¼ per cent over eight years, although market conditions would normally have indicated a higher margin.

With the Petrobras deal, Brazil again seems to be trying to profit from the attraction to French banks of providing lucrative export finance to include a separate syndicated credit. Preparatory discussions are still taking place and further details may become known this week.

Other bankers caution, however, that while such a policy might alleviate the difficult market conditions for Brazil temporarily, opportunities to boost borrowing volume in this way are necessarily limited.

According to its central bank governor, Mr. Ksente Bogoev, Yugoslavia has made considerable progress in arranging bilateral finance to cover its balance of payments deficit over the next three years. The country is also beginning negotiations for a jumbo Eurocredit from U.S., UK, Canadian and Japanese banks as well as institutions in a number of other countries.

Bankers who had a meeting with Mr. Bogoev in London last week say that this credit will be much more of a test of the country's position in the Euromarkets than the bilateral financing. They report that they are encouraged by some of the economic news coming out of Yugoslavia, but many are still cautious about lending to the country in view of their country exposure limits.

In view of this, neither side is ready to set a specific target amount on the jumbo credit at present.

Elsewhere, Korea is expected to hold back for a while on its expected $500m to $600m credit for the Korea Development Bank. This is expected to be the first major syndicated credit for the country since the political disturbances earlier this summer.

However, bankers believe that it would be inappropriate to launch such a large credit too soon after the death sentence passed last week on the dissident, Mr. Kim Dae-Jung.

U.S. BONDS

BY PAUL BETTS

Increasing concern over money growth

SHORT-TERM interest rates in the U.S. continued to climb in a market which has become highly vulnerable to weekly economic and monetary statistics.

In particular the monetary aggregates have now become the U.S. bond market's prime concern, since only a significant decline in the rates of expansion of M1-A and M1-B, the two most closely watched weekly monetary indicators, is likely to abate fears of additional central banks tightening.

Although Wall Street was generally relieved this week by signs that the Federal Reserve's Open Market Committee meeting last Tuesday had apparently decided not to put the squeeze at this stage, the market was again troubled on Friday by the $1.1bn and $1.8bn increase in M1-A and M1-B respectively in the week ended September 10.

This acceleration in the weekly monetary aggregates at a time when the money supply must essentially remain flat if the Fed is to achieve its target, thus heightened once more fears that interest rates, at least in the near term, might rise further.

Moreover, the latest weekly monetary figures were released shortly after the main U.S. banks adjusted their prime lending rates another ½ point up to 12½ per cent for the fifth time in as many weeks, as their costs for gathering funds rose and loan demand increased.

The general upward trend in rates was reflected throughout the market.

Concern over the recovery in business activity, the uncertain near-term inflation outlook and the prospect of a Federal Government borrowing requirement of between $75bn and $80bn next year also combined to unsettle the market.

U.S. INTEREST RATES (%)

Federal Fund weekly average	10.68	10.37
3-month Treas. bills	10.02	10.20
3-month CDs	11.10	11.00
30-year coupons	11.36	11.17
Long-term AAA util	12.75	12.50
Long-term AA Indus	12.87	12.25

Source: Salomon Bros. estimates.

FT INTERNATIONAL BOND SERVICE

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Brit. Oxygen F. 10¾ 90	50	84¼	84¾	0	−1⅜	13.69
CECA 11½ 88	100	94	94½	+0⅛	−1⅜	12.88
Citicorp O/S Fin. 10 88	300	90⅜	90⅞	+0¼	−0½	12.34
Cop. Illinois O/S 9¾ 88	150	88½	89	+0⅛	−0⅜	12.58
Denmark 11¾ 90	100	92¼	92¾	−0⅛	−0⅞	13.13
Dome Petroleum 13½ 92	50	101⅛	101⅝	+0¼	0	13.19
EEC 11 95	75	87⅜	87⅞	+0⅛	−0½	12.90
EEC 11 95	70	87½	88	+0⅞	−0⅜	12.88
EIB 11¾ 92	80	91⅜	91⅞	0	−0¼	13.21
EIB 13¾ 90	100	102⅝	103⅛	+0¼	−0⅜	13.16
Eksportfinans 11¾ 87	50	94⅜	95¼	+0¼	−0⅜	12.40
Eksportfinans 9½ 87	75	86⅜	87⅛	0	−0¼	12.45
Elec. de France 10 88	125	87⅞	88⅜	+0⅛	−0⅞	12.46
Export Dv. Cpn. 12⅜ 87	100	100	100½	0	−1⅜	12.65
Export Dv. Cpn. 9½ 86	150	88⅜	88⅞	−0⅛	−1⅞	12.52
Federal Dev. Bk. 12¼ 85	75	99	99½	+0⅛	−1⅛	12.42
Fin. Exp. Credit 10⅛ 85	50	91⅜	92⅛	0	−1⅜	12.85
Finland Rep. of 9½ 86	100	87	87½	+0⅛	−0⅝	12.84
Ford O/S Fin. 12⅝ 85	250	97⅛	97⅝	0	−0½	13.33
George Weston 13½ 87	30	99½	100	+0⅝	−0¼	13.52
GMAC O/S Fin. 11 84	100	95⅛	95⅝	0	−0⅞	12.39
GMAC O/S Fin. 13⅜ 85	100	102⅛	102⅝	+0⅛	−0¼	12.57
Goodyear O/S 12½ 87	75	97⅝	98⅛	+0½	−0¼	12.96
Hudson's Bay 11½ 90	75	92⅝	93⅛	−0⅛	−0¼	12.80
IBM Canada 10⅝ 85	50	94⅜	95⅛	0	−0⅜	11.90
ICI Fin. Ned. 11 83	100	97⅛	97⅝	0	−0¼	12.14
Int. Harvester 12⅝ 85	115	98⅛	98⅝	+0⅛	−0¼	13.12
McGraw 13½ 85	75	99⅝	100⅛	+0⅛	−0¼	13.44
NorWest Ind. 13⅜ 87	50	99⅝	100⅛	−0⅛	−0⅜	13.61
Nova Scotia 10⅝ 90	50	90⅝	91⅛	0	−1	12.37
OKB 10 85	50	92⅛	92⅝	+0⅛	−0⅞	12.12
Pembroke Capital 9⅝ 87	100	†87	87½	0	−0⅜	12.49
Pemex 11½ 88	100	92½	93	0	−0⅜	13.01
Quebec Hydro 11½ 92	100	90⅝	91⅛	+0⅛	−1	13.01
Repsteel O/S 11½ 88	100	87⅝	88⅛	+0⅛	−0⅜	14.11
Roylease Ltd. 11¼ 85	60	96⅛	96⅝	0	−0⅜	12.27
SNCF 12⅜ 85	50	100	100½	+0⅛	−0⅞	12.25
Swed. Ex. Cred. 12½ 85	40	98⅞	99⅜	−0⅛	−2	12.71
US Finance BV 11 90	50	87⅜	88⅛	0	−0⅜	13.23
Unilever NV 9¾ 90	100	84⅛	84⅝	+0⅛	−2⅛	12.59
World Bank 9⅜ 85	200	91⅛	91⅝	0	−0⅛	12.18
World Bank 10⅞ 87	300	90⅞	91⅜	0	−0⅜	12.23

Average price changes... On day +0⅛ on week −0⅛

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Akzo 9 90	125	100⅜	101⅛	−0½	−0⅛	8.79
Australia 8⅛ 90	250	100⅝	101⅛	+0⅛	0	7.96
BFCE 7¾ 87	100	96½	97⅛	−0½	−0⅛	8.39
BFCE 8¼ 95	100	97⅞	98⅜	+0⅛	0	8.33
Brazil 8 87	150	87⅝	88½	+0⅛	−0⅞	10.50
Council of Eur. 7¾ 89	100	93⅞	94⅜	+0½	+0⅛	8.20
Denmark 7⅞ 86	100	98⅜	98⅞	−0⅛	+0½	8.18
Denmark 8¼ 92	100	98⅜	99⅛	−0⅛	−0⅜	8.40
EEC 7⅞ 94	225	96⅛	96⅝	+0⅛	−0⅞	8.32
Finland Rep. of 8 86	150	98	98½	−0⅛	−0¼	8.33
Iberduero 8A 9 90	100	99⅜	99⅞	−0⅛	−0⅛	9.07
Kobe, City of 7⅛ 89	150	93	93¼	+0⅛	−1⅛	8.19
Kobe, City of 8 90	100	99⅜	99⅞	+0½	−0½	8.05
Mt. Bk. Denmark 8½ 90	150	98⅞	99⅜	0	0	8.61
Norway 7½ 85	250	99⅜	100	+0½	+0⅛	7.59
OKB 7⅛ 89	100	94½	95	+0⅛	−0⅛	8.24
OKB 8¼ 92	150	98⅜	99⅛	+0⅜	−0⅛	8.38
Oslo, City of 8¾ 90	80	101⅞	102⅜	+0½	−1	8.42
Sweden 9⅛ 87	200	105⅜	105⅞	+0½	−0⅛	8.40
World Bank 8 90	700	97⅞	98⅜	+0⅛	−0⅛	8.26
World Bank 7½ 90	250	96½	97¼	+0¼	−0⅛	8.35
World Bank 10 86	150	107⅝	108⅛	+0½	+1⅛	8.15
World Bank 10 90	200	108⅝	109½	+0⅛	−0⅛	8.65

Average price changes... On day +0⅛ on week −0⅛

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Austria Rep. of 5⅛ 90	100	98	98⅜	+0¼	−0¼	5.63
Bergen, City of 4¾ 91	40	91½	92	−0⅜	0	5.79
Bergen, City of 6 90	50	100⅜	101	−0⅜	−1⅛	5.89
BMW Overseas 4¼ 91	100	88⅜	89	−0⅜	−2	5.64
Buhrm'n-Tetterode 7 90	40	104⅜	104⅝	−0½	−0½	6.35
Caisse Nat. Tele. 4⅞ 89	100	†91	91½	+0⅛	−1⅞	5.99
Copenhagen 4½ 91	60	88	88½	+0⅛	+0¼	6.26
Council of Eur. 5 89	100	†94½	95	+0⅛	−0½	5.75
Denmark 5⅜ 90	80	99⅜	99⅞	+0⅛	+0⅛	5.78
EIB 4⅞ 94	100	89⅞	90⅜	+6⅜	+5⅜	5.42
Elet. de France 4⅞ 89	100	93⅝	93⅞	+0⅛	+0⅝	5.27
F. G. H. Hypo. Bk. 5 90	50	†102	102½	+0½	−0⅜	5.69
Finland Rep. of 5⅜ 90	80	94⅛	94½	−0⅛	+0½	6.41
GZB 4¼ 89	100	†88	88½	+0½	+1½	5.96
Hilti 4½ 91	35	†91	91½	+0¼	−0⅜	5.31
Int.-Amer. Dev. 4½ 89	100	91⅛	91⅝	−0⅛	−0¼	6.78
Int.-Amer. Dev. 7 90	80	104½	104¾	−0½	−1⅛	8.34
Jutland Tele. 5½ 90	50	†89	89½	+0⅛	−0⅛	6.74
Malaysia 5 89	80	†88½	89	+0½	+0⅛	6.69
Neswag 5⅞ 90	80	100⅜	100½	+0⅛	−1⅛	5.70
Nippon Tel. & T. 4⅜ 89	100	91⅜	91⅝	+2⅜	−2⅛	5.47
Norges Komm. 4⅝ 91	100	85⅜	85⅞	−1⅜	−2⅜	6.18
OKB 4⅜ 91	100	†86½	87	+0⅛	−2	6.05
OKB 6 90	100	103⅛	103⅜	0	−0⅛	5.55
Oslo, City of 4⅞ 91	100	86⅜	86⅝	0	−1¼	6.08
Philips Lamps 5¼ 92	100	98⅛	98⅜	−0½	−1¼	5.46
Sekisui Pre. Hms. 6 90	80	102⅜	102⅞	0	−0⅛	5.62
Shikoku El. Pwr. 4⅞ 89	100	93	93¼	−0⅛	−0⅛	5.76
World Bank 4⅞ 89	150	88⅞	89⅛	−0⅛	+0½	5.99
World Bank 4⅝ 91	100	88⅛	88⅝	−1⅛	−0½	6.07

Average price changes... On day +0⅛ on week −0½

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Australia 5.8 83	30	91½	92⅛	0	0	8.72
Australia 6⅞ 88	20	87¼	88⅛	0	+0⅛	8.57
EIB 7¼ 89	12	96⅜	97⅜	0	−0½	8.26
Finland 5.6 83	10	90⅜	91⅛	−0⅛	−0⅛	8.98
Finland 6.8 88	10	87⅞	88⅞	+0⅛	0	8.00
Finland, Rep. of 8⅛ 87	16	96⅜	98	0	−0½	8.90

Average price changes... On day 0 on week −0⅛

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Bell Canada 10¼ 88 CS	60	91⅛	92½	−0⅛	−1¼	12.79
CIBC 13½ 85 CS	50	99⅛	99⅞	0	−0⅜	13.58
CIBC 11½ 85 CS	60	94⅛	94⅞	−0⅛	−1⅛	13.08
Federal Dev. 11⅜ 90 CS	60	88⅞	89⅜	0	−0½	13.52
Fst. Can. Inv. 10 84 CS	50	90⅛	91⅛	0	−0⅛	13.21
GMAC 12 85 CS	50	†95⅞	96¼	0	0	13.22
R. Bk. Canada 10 86 CS	40	90	91	−0⅛	−1	12.40
Tordom Cpn. 13½ 85 CS	30	99	99⅜	−0⅛	−1	13.63
M. Bk. Dnmk. 9 91 EUA	25	93⅞	95⅛	0	−0⅛	9.82
SOFTE 8⅛ 89 EUA	40	88½	89	−0⅛	−0½	10.27
U. Bk. Nrwy 9½ 90 EUA	18	99⅛	100⅛	0	+0⅛	9.48
Algemene Bk. 8¾ 84 Fl	75	96⅝	97⅛	+0⅛	+1⅛	9.22
Algemene Bk. 10¼ 87 Fl	400	100	101	+0½	+0⅛	10.13
Bk. Mees & H. 10 85 Fl	75	100⅛	101	+0¼	+0⅛	9.82
Heineken NV 10 87 Fl	75	100½	101	+0⅛	+1	9.83
Norway 8⅛ 84 Fl	100	96⅛	96⅝	0	+0⅛	9.33
Philips Lamps 8⅛ 84 Fl	75	96½	97¼	+0¼	+0⅛	9.36
Aero Paris 13⅜ 87 FFr	150	99⅜	100⅛	0	−0⅛	13.17
Air France 11 84 FFr	120	96⅞	97⅛	+0⅛	+0⅛	12.03
CECA 14⅞ 86 FFr	150	104⅞	105⅞	0	−0½	12.78
Finland 11 84 FFr	80	93½	94½	0	+0⅛	12.97
Finland 11½ 89 FFr	70	92½	93⅛	0	−0⅛	12.84
Gaz de France 11 84 FFr	150	94⅞	95⅞	0	−0⅛	12.48
IBM France 11⅞ 84 FFr	120	95⅛	95⅝	0	0	13.19
Renault 9⅝ 85 FFr	100	87⅝	88⅝	0	−0⅛	13.18
Solvay et Cie 9⅝ 87 FFr	125	84⅛	85⅛	0	−0⅛	13.37
Urd. Mex Sts. 14 85 FFr	150	100⅛	101⅛	+0½	0	13.64
Beneficial Fin. 14¼ 90 £	20	98⅛	99⅛	0	−0⅛	14.41
Citicorp O/S 13½ 90 £	50	98⅛	99	0	−0⅜	13.73
EIB 11½ 91 £	25	89⅛	89⅞	+0½	−0⅛	13.37
Fin. for Ind. 12½ 89 £	30	94⅛	94⅞	−0⅛	−0⅛	13.58
Fin. for Ind. 14½ 88 £	20	101	101⅜	0	−0⅜	14.14
Gen. Elec. Co. 12⅛ 89 £	50	95⅛	96⅛	+0⅛	+0⅛	13.22
Peugeot SA 14 90 £	23	97½	98⅜	+0⅜	−0⅛	14.32
Rothschild 14⅜ 90 £	12	99⅛	99⅞	+0⅜	−0⅛	14.33
Swed. Ex. Cr. 15⅜ 85 £	20	103⅛	104⅛	0	+0⅜	14.01
Banobras 8⅛ 90 KD	7	†92⅝	93⅛	0	−0⅛	9.40
CCCE 8⅛ 91 KD	10	†93⅛	93⅝	0	−0⅞	9.12
Sonatrach 8½ 90 KD	12	†92⅝	92⅞	0	+0⅛	8.70
Akzo 9¾ 87 LuxFr	500	93⅛	94⅛	−0½	+0⅛	10.67
Euratom 8 87 LuxFr	500	87⅛	88⅛	0	−0½	10.65
Euratom 9⅜ 88 LuxFr	500	97	98	0	0	10.23
EIB 9¾ 88 LuxFr	600	97⅛	98⅛	0	−0⅛	10.10
Volvo 9⅞ 87 LuxFr	500	95⅞	96⅞	−0⅛	−0½	10.48

FLOATING RATE NOTES	Spread	Bid	Offer	C.dte	C.cpn.	C.yld
Allied Irish Bk. 5¾ 87	0½	97⅞	98⅛	2/1	10.44	10.64
Bank of Ireland 5⅛ 89	‡0¼	97⅞	98⅜	21/11	11⅛	11.59
Bank of Tokyo 5⅛ 89	‡0⅛	97	97½	25/10	9⅛	9.51
Barclays O/S Inv. 5 90	0¼	97½	98	13/12	9⅝	9.85
Bergen Bk. A/S 5 85	‡0⅛	97⅜	97⅞	29/11	12⅛	12.55
Bilbao Int. NV 5⅞ 90	0⅛	96⅜	97⅜	29/11	10.06	10.36
Citicorp O/S F. 83	§‡0	99⅜	99⅝	23/11	11.44	11.49
Citicorp O/S F. 84	‡0	99	99½	30/9	11.94	12.03
C. Itoh 5¼ 87	0¼	99⅝	100⅛	18/3	12⅞	12.89
Co-operative Bk. 6 86	0¼	98	98½	15/11	11.44	11.64
Creditanstalt 5½ 91	§‡0¼	98	98½	14/12	12.06	12.28
CNT 5¼ 86	§0⅛	100	100½	15/10	18⅛	18.08
GZB 5½ 89	‡0¼	99⅛	99⅝	1/11	9.87	9.86
Jugobanka 8 89	0⅞	91½	93⅛	23/11	11⅛	12.60
Ind. Bank Japan 5⅞ 87	0¼	99⅛	99⅝	15/10	18⅞	18.87
Lloyds Eurofin 8 90 £	0⅛	96⅛	96⅝	3/1	15⅞	16.34
LTCB Japan 5⅞ 86	0⅛	98⅜	98⅞	13/12	9⅝	9.76
LTCB Japan 5½ 89	0¼	98	98½	7/12	10⅛	10.31
Mfrs. Han. O/S 5⅞ 94	‡0⅛	97⅜	98⅛	30/11	12½	12.37
Midland Intl. Fin. 5 89	0¼	97⅞	98⅜	20/12	9½	8.98
Midland Intl. Fin. 5¼ 92	0⅛	97⅜	98⅛	6/12	10⅞	11.10
Nacional Fin. 6⅛ 85	0⅜	97⅜	98⅛	25/1	9.69	9.90
Nat West 5⅞ 94	§0¼	98⅜	99⅛	11/10	18⅜	18.84
Nippon Credit 6½ 86	0⅛	97⅛	97⅝	12/1	9.56	9.81
Nippon Credit 5¾ 87	‡0⅛	98⅜	98⅞	6/11	10⅞	11.03
Royal Bk. Scot. 5½ 94	§‡0¼	98⅜	99⅛	11/10	9.31	9.41
Soc. C. de Bque. 6½ 87	0⅛	98	98½	3/10	20.06	20.42
Standard Chart. 5⅜ 90	0¼	99⅝	100⅛	6/3	12.06	12.08
Svenska Hndlsbk. 5 87	0⅛	98⅛	98⅝	15/1	10	10.17
Sweden 91	‡0¼	96½	97	18/10	9.56	9.88
Williams & Glyn 5⅜ 91	0¼	98⅝	99⅛	14/3	12.44	12.58
Bq. S. d'Alg. 4¼ 89 SF	0⅛	†90	90½	18/12	6⅛	6.79

Average price changes... On day 0 on week 0

CONVERTIBLE BONDS	Cnv. date	Cnv. price	Bid	Offer	Chg. day	Prem
AGA Akt'bolag 7¾ 89	10/79	145	†120	121	+1	−3.18
Ajinomoto 7¾ 95	2/80	815.5	128⅛	129⅛	+5⅛	0.59
Alco Int. Fin. 9½ 94	1/80	40	95⅛	96½	+1⅛	10.36
Apache I. Fin. 8⅛ 95	12/80	21.12	139⅛	139½	+0⅞	−1.39
Clocker Energy 6⅛ 95	1/81	21.87	106½	107⅛	+0⅛	−5.32
Canon 6⅞ 94	3/79	570	128⅞	130⅛	+1	8.62
Credit Suisse 4¾ 93	10/79	1278	117⅛	119⅛	−0⅛	−2.17
Daiei Inc. 6½ 94	11/79	327.3	97⅛	98⅛	0	20.40
DDKK 11 90	4/80	324	105⅛	105⅝	0	15.90
Dynalectron 9½ 95	8/80	12.22	111⅞	113⅛	−0⅛	2.75
Enserch Fin. 8½ 94	7/80	30.25	138	139½	−2	−0.94
INA Overseas 3¾ 2000	4/81	42	99⅝	100⅝	+0⅛	0.86
Inchcape Ltd. 8 95	2/81	4.55	108½	109⅛	+0⅞	−1.26
Maidensha Elec. 7 94	12/79	210	109⅜	111	−2¼	2.02
MEPC 8⅛ 96	2/81	2.47	108⅞	109⅛	−0½	6.73
Mitsubishi Cp 6½ 94	10/79	549.1	131½	133	+0½	−2.23
Ricoh 6⅛ 95	8/80	604	105⅛	106⅛	+2⅛	0.61
SBC 6¼ 90	6/80	200	100	101	−0⅛	4.71
Toshiba Cpn. 7⅛ 94	10/79	198	116⅛	117¼	+4⅞	2.47
Union Bk. Switz. 5 89	2/80	121.4	100⅛	101½	+1⅞	0.85
Fujitsu 5 84 DM	7/79	475	114½	115⅞	+0⅛	−1.48
Sharp Corp. 6½ 88 DM	9/80	595	111⅛	111⅞	−0⅛	−2.49
Uny Co. 6½ 85 DM	11/79	1071	95⅛	96½	−0⅛	19.63

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BONDTRADE INDEX AND YIELD

	Medium term		Long term	
Sep. 19...	n.a.	n.a.	n.a.	n.a.
Sep. 12...	8.90	10.28	78.33	11.93
High '80...	93.58	(18/6)	89.19	(2/1)
Low '80...	86.32	(2/4)	71.54	(29/2)

EUROBOND TURNOVER (nominal value in $m)

U.S. $ bonds	Cedel	Euroclear
Last week	2,633.0	2,358.4
Previous week	1,730.7	2,194.9
Other bonds		
Last week	349.5	491.9
Previous week	587.2	319.9

* No information available—previous day's price.

† Only one market maker supplied a price.

STRAIGHT BONDS: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week=Change over price a week earlier.

FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte=Date next coupon becomes effective. Spread=Margin above six-month offered rate (‡ three-month; § above mean rate) for U.S. dollars. C.cpn=The current coupon. C.yld=The current yield.

CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Chg. day=Change on day. Cnv. date=First date for conversion into shares. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

The list shows the 200 latest international bonds for which an adequate secondary market exists. The prices over the past week were supplied by: Arab Company for Trading Securities SAK; Kredietbank NV; Credit Commercial de France; Credit Lyonnais; Commerzbank AG; Deutsche Bank AG; Westdeutsche Landesbank Girozentrale; Banque Generale du Luxembourg SA; Banque Internationale Luxembourg; Kredietbank Luxembourg; Algemene Bank Nederland NV; Pierson, Heldring and Pierson; Credit Suisse/Swiss Credit Bank; Union Bank of Switzerland; Akroyd and Smithers; Bankers Trust International; Bondtrade; Credit Commercial de France (Secs.) London; Citicorp International Bank; Daiwa Europe NV; Deltec Trading Company; Dillon, Read Overseas Corporation; EBC; First Chicago; Goldman Sachs International Corporation; Hambros Bank; IBJ International; Kidder Peabody International; Merrill Lynch; Morgan Stanley International; Nesbitt Thomson; Orion Bank; Salomon Brothers International; Samuel Montagu and Co., Scandinavian Bank; Strauss Turnbull and Co.; Sumitomo Finance International; S. G. Warburg and Co.; Wood Gundy.

Closing prices on September 19

This announcement appears as a matter of record only.

African Development Bank
Banque Africaine de Développement

French Francs 650,000,000
Seven-Year Multicurrency Standby Credit Facility

Lead Managed by
Crédit Commercial de France • Crédit Agricole

Managed by
The Arab Investment Company S.A.A. (Riyadh) • The Bank of Tokyo, Ltd.
Banque Bruxelles Lambert S.A. • Banque Worms • Chemical Bank International Group
Crédit Lyonnais–Bruxelles • DG BANK Deutsche Genossenschaftsbank • First Chicago Limited
Morgan Guaranty Trust Company of New York • National Westminster Group
Société Générale • Standard Chartered Bank Limited

Co-managed by
Banque Internationale à Luxembourg S.A. • Libyan Arab Foreign Bank
Mitsui Finance Asia Limited • Nippon European Bank S.A.

Funds provided by
The Arab Investment Company S.A.A. (Riyadh) • The Bank of Tokyo, Ltd. • Banque Bruxelles Lambert S.A.
Banque Internationale à Luxembourg S.A. • Banque Louis-Dreyfus en Suisse S.A., Zurich
Bayerische Hypotheken- und Wechsel-Bank • Bilbao International Bank (Jersey) Limited • Chemical Bank
Crédit Agricole (Chicago Branch) • Crédit Lyonnais-Bruxelles • DG BANK INTERNATIONAL Société Anonyme
Dresdner Bank Aktiengesellschaft (London Branch) • The First National Bank of Chicago • Genossenschaftliche Zentralbank AG - Vienna
International Westminster Bank Limited, London Branch • Japan International Bank N.A. • Libyan Arab Foreign Bank
London & Continental Bankers Limited • Marine Midland Bank, N.A. • Mitsui Finance Asia Limited
Morgan Guaranty Trust Company of New York • National Bank of Abu Dhabi • Nippon European Bank S.A.
Pittsburgh National Bank • Skandinaviska Enskilda Banken • Société Générale • Société Générale/Société Centrale de Banque
Sofial (Société Financière pour l'Amérique Latine) • Standard Chartered Bank Limited • State Bank of India • Worms Finance N.V.

Arranged by
Crédit Agricole — Crédit Commercial de France

Agent
Crédit Commercial de France

June 1980

WORLD STOCK MARKETS

Indices

NEW YORK — DOW JONES

	Sept. 19	Sept. 18	Sept. 17	Sept. 16	Sept. 15	Sept. 12	1980 High	1980 Low	Since Cmpil't'n High	Since Cmpil't'n Low
eIndustr'ls	965.74	958.48	961.26	945.80	957.85	936.52	966.72 (15/8)	759.13 (21/4)	1051.70 (11/73)	41.22 (2/7/32)
H'me B'nds	69.21	69.26	69.22	69.14	69.89	69.75	78.81 (23/6)	65.87 (28/8)	—	—
Transport	346.52	345.69	345.91	339.01	329.49	321.26	346.52 (19/9)	233.99 (27/3)	348.92 (19/9/80)	12.23 (8/7/32)
Utilities	112.54	112.38	112.65	112.71	111.66	112.19	115.88 (8/7)	96.04 (27/3)	163.32 (20/4/69)	10.52 (28/4/42)
TradingVol 000's	53,760	63,590	55,986	57,290	44,650	47,189	—	–	—	-

eDay's high 912.70 low 950.77

Ind. div. yield %	Sept 19	Sept. 5	Aug. 29	Year ago (approx)
	5.74	5.72	5.75	5.65

STANDARD AND POORS

	Sept. 19	Sept 18	Sept. 17	Sept. 16	Sept. 15	Sept. 12	1980 High	1980 Low	Since Cmpil't'n High	Since Cmpil't'n Low
‡Indust'ls	149.93	145.88	148.41	145.88	142.67	142.57	149.83 (18/9)	111.09 (27/7)	149.83 (18/9/80)	3.52 (30/6/32)
§Composite	129.25	129.49	128.87	129.74	125.67	125.54	129.25 (19/9)	98.22 (13.2)	129.25 (19/9/80)	4.49 (1 6/37)

	Sept. 17	Sept. 10	Sept. 3	Year ago (approx)
Ind. div. yield %	4.54	4.59	4.64	5.02
Ind. P/E Ratio	8.91	8.83	8.61	8.04
Long Gov. Bond Yield	11.46	11.03	11.02	9.13

N.Y.S.E. ALL COMMON

Sept. 19	Sept. 18	Sept. 17	Sept. 16	1980 High	1980 Low
74.81	74.35	74.57	73.41	74.81 (19/9)	55.30 (27/3)

Rises and Falls	Sept. 19	Sept. 18	Sept. 17
Issues Traded	1,951	1,940	1,911
Rises	967	703	1,098
Falls	591	279	485
Unchanged	373	358	328
New Highs	—	234	278
New Lows	—	5	0

MONTREAL

	Sept. 19	Sept. 18	Sept. 17	Sept. 16	1980 High	1980 Low
Industrial	387.88	391.56	387.29	385.02	425.89 (29/2)	325.21 (27/3)
Combined	385.16	387.58	371.58	369.55	378.90 (29/2)	290.99 (27/3)
TORONTO Composite	2,301.2	2514.1	2545.2	1329.0	2545.2 (17/9)	1702.5 (27/3)

	Sept. 19	Sept. 18	Sept. 17	Sept. 16	1980 High	1980 Low
AUSTRALIA						
Sydney All Ord. (1/1/80)	890.22	894.82	887.49	880.16	894.82 (18/9)	790.00 (2/1)
Metal & Minerls. (1/1/80)	8507.74	8507.15	8585.75	8468.61	8880.95 (14/2)	4691.28 (28/3)
AUSTRIA						
Credit Aktien (2/1/62)	86.49	86.47	86.30	86.46	86.49 (7/1)	85.55 (18/8)
BELGIUM						
Belgian SE (31/12/63)	90.57	91.42	91.15	90.75	105.75 (11/2)	90.14 (31/8)
DENMARK						
Copenhagen SE (1/1/73)	90.88	90.45	90.80	90.02	90.96 (19/9)	74.78 (5/3)
FRANCE						
CAC General (29/12/61)	111.70	112.5	112.5	112.5	117.8 (22/2)	97.1 (6/1)
Ind Tendance (28/12/79)	117.5	118.8	118.8	118.8	118.4 (15/9)	96.0 (6/1)
GERMANY						
FAZ-Aktien (31/12/58)	232.79	230.25	228.22	228.54	238.83 (25/2)	212.75 (28/3)
Commerzbank (Dec. 1953)	731.10	722.1	722.8	719.8	749.2 (25/2)	667.8 (27/3)
HOLLAND						
ANP-CBS General (1970)	85.8	85.5	85.5	85.8	86.0 (25/7)	74.0 (27/3)
ANP-CBS Indust. (1970)	68.5	64.0	64.3	64.2	68.2 (11/1)	58.2 (28/3)
HONG KONG						
Hang Seng Bank (31/7/64)	1282.98	1253.79	1244.83	1222.83	1282.98 (19/9)	738.3 (19/3)
ITALY						
Banca Comm. Ital (1972)	137.49	134.39	130.07	130.81	137.49 (19/9)	85.11 (2/1)
JAPAN						
Dow Average (16/5/49)	7041.66	7035.84	7051.61	7020.16	7041.66 (19/9)	6475.85 (27/3)
Tokyo New SE (4/1/68)	497.12	496.79	496.11	495.50	497.12 (19/9)	449.81 (10/3)
NORWAY						
Oslo SE (1/1/72)	124.74	126.35	128.82	126.16	144.70 (14/2)	118.12 (28/3)
SINGAPORE						
Straits Times (1966)	645.00	638.11	640.11	629.12	645.09 (19/9)	428.78 (8/1)
SOUTH AFRICA						
Gold (1958)	—	851.5	858.2	824.4	881.5 (18/9)	649.5 (2/7)
Industrial (1958)	—	614.1	615.3	617.8	627.1 (8/9)	496.5 (2/1)
SPAIN						
Madrid SE (28/12/79)	109.88	110.39	111.85	111.77	111.17 (16/9)	88.78 (15/3)
SWEDEN						
Jacobson & P. (1/1/58)	355.49	352.45	351.38	350.99	388.88 (8/2)	354.72 (17/1)
SWITZERLAND						
Swiss BankCpn. (31/12/58)	311.8	310.6	310.0	310.2	317.9 (11/2)	276.8 (28/3)
WORLD						
Capital Intl. (1/1/70)	—	155.1	155.4	155.7	155.4 (17/9)	120.5 (27/3)

Base values of all indices are 100 except NYSE All Common—50; Standard and Poors—10; and Toronto—1,000; the last named based on 1975. † Excluding bonds. ‡ 400 industrials. § 400 industrials plus 40 Utilities, 40 Financials and 20 Transports. e Closed. u Unavailable.

NEW YORK ACTIVE STOCKS

Friday	Stocks traded	Closing price	Change on day		Stocks traded	Closing price	Change on day
Sony	535,700	15⅝	−⅛	Warner-Lambert	501,000	22	+⅞
IBM	522,800	66⅝	+¼	Harnischfeger	470,600	16⅞	−½
Texaco	519,200	34½	—	Sears Roebuck	464,500	17⅝	—
Johns-Manville	514,400	29⅝	+⅞	ATT	455,300	54½	+⅛
LTV	510,200	13⅞	+⅛	Brunswick	405,400	15¼	+⅛

AUSTRIA

1980 High	1980 Low	Sept. 19	Price %
336	336	Creditanstalt	336
336	339	Landerbank	333
285	265	Perlmooser	270
114	100	Semperit	102
267	230	Steyr Daimler	238
359	285	Veitscher Mag.	295

BELGIUM/LUXEMBOURG

1980 High	1980 Low	Sept. 19	Price Fis.
9,450	1,266	ARBED	1,266
5,400	5,000	Banq Ind A Lux.	5,000
2,170	1,750	Bekaert B	1,750
1,120	900	Ciment CBR	940
386	190	Cockerill	214
2,230	1,825	EBES	1,880
5,280	5,060	Electrobel	5,570
4,210	9,700	Fabrique Nat.	2,900
9 600	9,205	GB-Inno	9,290
1 695	1,020	GBL (Bruxl)	1,088
1,320	880	Gevaert	1,230
5,195	9 436	Hoboken	9,505
1,700	1 410	Intercom	1,436
6,310	6 370	Kredietbank	5,810
4,140	3,200	Pan Holding	4,140xd
5,280	4,600	Petrofina	4,745
5,920	5,000	Royale Belge	5,680
2,895	9,336	Soc Gen Banq	9,370
1,750	1,280	Soc Gen Belge	1,280
3,535	3,000	Sofina	3,320
9,790	2,200	Solvay	2,500
2,735	2,295	Traction Elect	2,450
1,555	1,206	UCB	1,240
1 040	718	Union Miniere	726
1,795	1,130	Vieille Mont.	1,192

DENMARK

1980 High	1980 Low	Sept. 19	Price Krone
135.5	108	Andelsbanken	110.5
407	216	Baltica Skand.	294.5xr
79.5	25	Burm & Wain	23
121	102.75	CopHandelsbank	110.5
289.75	182.75	D. Sukkerfab.	283.75
130	100.75	Danske Bank	110
143.5	109.75	East Asiatic	143.5
162.5	135	Finansbanken	151.0
285	205	Forenede Brygg.	285
197	149.5	Forende Dampsk	191.5
202.75	158.5	GNT Hldg	186
186	129.95	Nord Kabel	151
515	207	Novo Ind.	489.5
117.5	100	Papirfabrikker	112
125.3	105.25	Privatbanken	116.20
153	105	Provinsbanken	110
299	238.50	Smidth (FL)	250.5
495.5	306	S. Berendsen	495.5
151.25	93.75	Superfos	127.3

FRANCE

1980 High	1980 Low	Sept. 19	Price Frs.
289	225.2	CFP	231
42.8	30.2	DHEL	39.5
905	502	Dumez	890
388.8	316	Ferodo	352
358	267	Gen Occidental	347
152	62.5	Imetal	97
302.5	224	Lafarge	301.4
732	600	L'Oreal	680
1,705	1,010	Legrand	1,640
72.9	54.3	Machines Bull	56
9,960	7,260	Matra	9,940
925	713	Michelin B	837
580	461	Moet-Hennessy	545
89.9	66.3	Moulinex	88.5
965.5	815	Paribas	958.8
115	88.5	Pechiney	106.5
645.4	246	Pernod Ricard	338
240	166	Perrier	910xr
981.2	187	Peugeot-Cit.	188.9
270	202	Poclain	240
334	956	Radiotech	517.5
474	418	Redoute	445
142	114	Rhone-Poulenc	116.5
288	220	Roussel-Uclaf	241
159.7	119	St. Gobain	125
1,040	516	Skis Rossignol	869
317	260	Suez	308
1,040	686	Telemech Elect.	1,040
253	185	Thomson-Brandt	244.3

GERMANY

1980 High	1980 Low	Sept. 19	Price Dm.
129.9	71	AEG-Telef	86.5
480	346	Allianz Vers.	454
151	128.1	BASF	132
128.8	113.7	BAYER	115
269.5	215.5	Bayer-Hypo	264.8
318.5	261	Bayer-Verein	318.5
217	164	BHF-Bank	206
172	143	BMW	163.8
324	280.5	Brown Boveri	327
185.4	150.4	Commerzbank	165.8
68.3	42.2	Conti Gummi	62.5
274.5	226.8	Daimler Benz	270
265.5	220.5	Degussa	259.5
140.5	122	Demag	139
274.9	187	D'sche Babcock	201
301.4	226.5	Deutsche Bank	294
185	128.5	DU Schult	167
205.4	167	Dresdner Bank	192.8
148	112	Dyck Zement	140
224	191	GHH	211
77	63.5	Hapag Lloyd	74
126.6	109.1	Hoechst	113.7
37.8	21.6	Hoesch	23.4
475	325	Holzmann (P)	393
150.6	112	Horten	150.5
179.8	139	Kali und Salz	179.8
258.5	212.0	Karstadt	230
200	166	Kaufhof	195
229	198.5	KHD	205
57.8	40	Kloeckner	42.6
68	54	Krupp	58
337	274.5	Linde	321
87.5	70	Lufthansa	74.5
204	174.5	MAN	189
137.3	112.8	Mannesmann	127.2
239.5	195	Mercedes Hlg.	239.5
301.5	236.5	Metallgesell	300
659	545	Muench Rück	650
128	74.75	Preussag	128
195	164	Rhein West Elect	194.5
288	240	Rosenthal	282.5
229.8	175.2	Schering	229.8
285.1	247.5	Siemens	278.5
90.9	57.2	Thyssen	60.8
178	138	Varta	172
160.5	151.7	Veba	141.5
278	250	Verein-West	276
191.1	155.5	Volkswagen	171.8

AUSTRALIA (continued)

1980 High	1980 Low	Sept. 19	Price Aust. $
9.50	1.60	Assoc Pulp Pap.	9.35
0.49	0.24	Audimco	0.30
2.68	1.80	Aust Cons Ind	2.06
1.60	1.32	Aust Guarant	1.40
3.05	1.84	Aust Natl Ids	2.75
9.21	1.48	Aust Paper	2.19
5.60	2.70	Bank NSW	3.06
2.10	1.20	Bies Metal	2.08
9.85	0.98	Bond Hldgs	2.75
3.20	2.14	Boral	3.19
3.18	1.60	B'ville Copper	2.48
3.02	1.85	Brambles Inds	2.95
5.00	2.07	Bridge Oil	4.60
16.00	11.45	BHP	15.80
0.39	0.15	Brunswick Oil	0.60
7.10	4.65	CRA	6.40
7.80	4.52	CSR	7.45
2.10	1.80	Carlton & Utd	1.85
5.82	9.85	Castlemaine Tys.	3.35
0.59	0.25	Cluff Oil (Aust.)	0.32
0.25	0.13	Do. Opts	0.21
1.35	1.35	Cockburn Cemt.	1.38
9.40	1.80	Coles (G.J.)	2.35
6.20	3.95	Comalco	5.90
9.50	9.20	Cons. Gold	9.20
3.60	2.60	Container	3.40
3.35	2.05	Costain	3.05
4.45	2.10	Crusader Oil	3.80
0.90	0.71	Dunlop	0.89
3.75	2.20	Elder Smith GM.	3.70
0.62	0.29	Endeavour Res.	0.56
1.55	1.38	Gen. Prop. Trust	1.50
4.70	3.20	Hamersley	4.50
6.40	9.60	Hartogen Energy	5.80
1.24	0.85	Hooker	1.13
5.00	9.05	ICI Aust	9.68
1.18	0.85	Jennings	1.18
2.80	1.40	Jimberlana 25c.	1.80
1.61	1.20	Jones (D)	1.20
0.60	0.27	Kia Ora Gold	0.58
2.25	1.10	Lennard Oil	1.56
5.00	2.35	MIM	4.60
7.20	0.60	Meekatharra	6.60
0.45	0.15	Meridian Oil	0.38
0.60	0.16	Metramar Mle.	0.60
1.30	0.33	Monarch Pet.	0.75
1.72	1.44	Myer Emp.	1.58
2.80	2.32	Nat Bank	2.70
2.95	2.10	News	2.85
1.85	1.05	Nicholas Int.	1.25
4.35	2.80	North Bkn Hill	4.16
8.00	2.90	Oakbridge	3.75
2.90	0.68	Otter Expl.	1.60
9.50	5.10	Pancon	7.50
0.39	0.14	Pan Pacific	0.32
2.45	1.72	Pioneer Conc.	2.32
0.72	0.26	Queen Marg't G.	0.71
2.90	1.93	Reckitt & Cole	2.40
14.60	8.90	Santos	14.00
1.66	1.00	Sleigh (H.C.)	1.51
0.65	0.29	Southland M'n'g	0.59
0.88	0.39	Spargos Expl.	0.85
2.70	1.91	Thos Nationwide	2.50
2.80	1.65	Tooth	1.99
5.90	3.70	Utah Mining	5.90
1.95	0.25	Valiant Consdt.	1.15xr
0.80	0.55	Waltons	0.76
6.24	3.55	Western Mining	6.02
5.35	1.70	Woodside Petrol.	6.15
1.82	1.42	Woolworths	1.22
4.26	2.76	Wormald Intl.	4.15

SINGAPORE

1980 High	1980 Low	Sept. 19	Price $
5.45	2.48	Boustead Bhd.	5.45
5.94	2.60	Cold Storage	5.94
6.15	4.46	DBS	5.50
8.15	5.45	Fraser & Neave	5.85
2.80	1.79	Haw Par	2.79
3.90	2.12	Inchcape Bhd.	3.76
15.40	7.95	Malay Banking	15.20
7.90	4.68	Malay Brew	6.50
12.90	7.15	OCBC	12.80
9.62	1.45	Pan Elect.	2.62
3.82	2.65	Sime Darby	3.68
7.80	5.82	Straits Trdg.	7.75
4.70	3.50	UOB	4.64

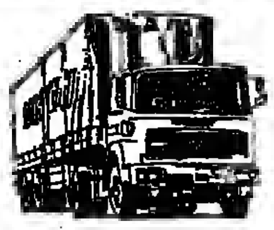
Spanish prices, Page 14

BET

BRITISH ELECTRIC TRACTION

Group profit before tax £71,076,000

Canadian Motorways Ltd.
Murphy Bros. Ltd.
United Transport Company Ltd.



£19,397,000 Freight & Passenger Transport

Birmingham & District Investment Trust Ltd.
Electrical and Industrial Investment Co. Ltd.
National Electric Construction Co. Ltd.

£4,231,000 General Investments

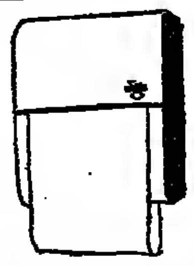
Rediffusion Ltd.
Redifon Ltd.

£13,895,000* TV Rental, Relay, Overseas Broadcasting, Electronic Manufactures & Music Services

Thames Television Ltd. (50.0% share)

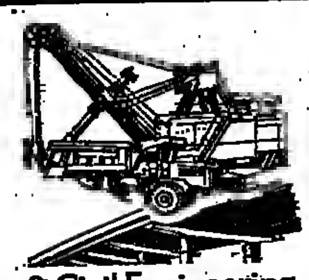
£2,963,000 Independent Television in U.K.

Advance Services Ltd.
Richmond Park Laundry Co. Ltd.
Initial Services Ltd. (41.9% share)



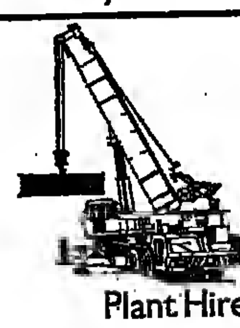
£11,261,000 Linen Hire, Laundry & Ancillary Services

Murphy Bros. Ltd.



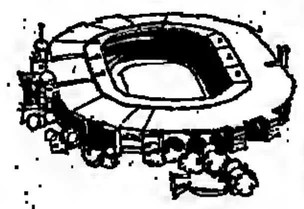
£2,110,000 Mining & Civil Engineering

Eddison Plant Ltd.
Grayston Ltd.
J. D. White Ltd.



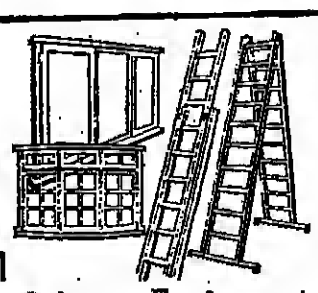
£6,908,000 Plant Hire

Ditchburn Organisation Ltd.
Walport Ltd.
Wembley Stadium Ltd.



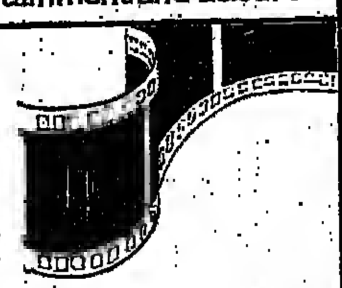
£1,355,000 Entertainment and Leisure

Boulton & Paul Ltd.



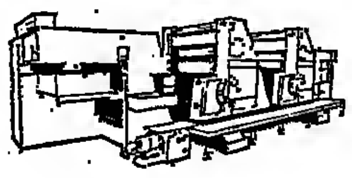
£5,905,000 Joinery, Steel Construction & Access Equipment

Humphries Holdings Ltd.



£1,049,000 Films & Television Ancillary Services

Argus Press Holdings Ltd.
Electrical Press Ltd.



£4,841,000 Printing & Publishing

Biffa Ltd.
Re-Chem International Ltd.

£939,000 Waste Disposal

*Excludes Rediffusion's share of profits of certain fellow subsidiaries.

Note: All the profits shown above relate to the Companies' activities described and do not include other interests.

Extracts from the Statement by the Chairman, Sir John Spencer Wills

It was not an easy year for industry, which had to face rapidly mounting economic pressures, including high interest rates, and cope with the effects of major strikes in road haulage, engineering, British Steel and Independent Television. Yet, apart from Rediffusion, which continued to mark time, and United Transport and Thames Television, which both turned in lower contributions, our other major interests increased their profits, some of them quite appreciably. In the circumstances, it is disappointing that our pre-tax profit should show no greater progress but the answer is to be found in the high interest rates which ruled during most of the year. Profit, before interest, rose by £12.15 million, to £92.57 million, but an increase in interest charges of just on 70 per cent reduced this improvement to £3.44 million. Relative to this swingeing increase in interest, borrowings rose by only 23 per cent during the year.

The broad range of our interests is one of BET's strengths. Our policy is to build up the good businesses by internal growth and selective acquisition of undertakings operating within the range of our present activities. It is the application of this policy rather than the acquisition of new and unrelated businesses which has increased our profit from £41 million to £71 million over the last five years.

The BET Group comprises a number of companies engaged in a wide variety of activities. Those activities and the profits earned from them are shown above, together with the names of the principal contributing companies.

BET GROUP

Summary of Results

	Year to 31st March 1980 £	1979 £
Profit before taxation	71,076,000	67,640,000
Taxation	27,600,000	24,481,000
Profit after taxation and minority interests	36,303,000	35,458,000
Deferred Ordinary Dividends	11,263,000	11,138,000
Earnings per 25p Deferred Ordinary Share	24.4p	24.1p
Dividend per 25p Deferred Ordinary Share	7.572p	7.572p

Outlook

It has been my practice for a number of years to give shareholders my personal views on the outcome of the current year. In the light of the country's economic position and the resultant rapid and pronounced changes in business fortunes which have taken place recently, it will come as no surprise that I am not prepared to make a forecast this year. This in no way implies pessimism on my part; it is simply that whatever I may say today, could be rendered significantly misleading in a matter of weeks and be of no use to shareholders. Suffice it to say that the Group is in good shape and well equipped to deal with whatever the future holds.

If you would like a copy of the Report & Accounts please send this coupon to:
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The British Electric Traction Company, Ltd.,
Stratton House, Piccadilly, London W1X 6AS.

Name ____________

Address ____________

FT22/9

Building and Civil Engineering

John Laing wins £12.4m BP contract in Scotland

MAJOR extensions are to be made to BP Petroleum Development's offices in Scotland on the Farburn Industrial Estate at Dyce, Aberdeen.

The contract is worth £12.4m and has gone to John Laing Construction.

The project calls for a six-storey office extension in two blocks, a five-level multi-storey car park, and a part single, part two-storey extension to a staff restaurant. The work is due to begin later this month and is scheduled for completion by December, 1982.

Construction of the office blocks, which will provide an additional 8,235 square metres of floor space, will be of reinforced concrete frame with precast concrete cladding. The 780-space car park will be of composite precast and in situ concrete. The restaurant will have a steel frame with concrete casing.

Architects are Mackie Ramsay and Taylor; consulting engineers are W. A. Fairhurst and Partners and Ramsay and Chalmers: consulting engineers (mechanical and electrical) are Wallace Whittle and Partners: quantity surveyors are W. L. Talbot and Partners.

Down in the south at Aylesbury, Bucks., Laing has won a £1¼m contract for over 50 industrial units.

The contract, awarded by Aylesbury Vale District Council, calls for single-storey units in various sizes and totalling 6,650 square metres at Bearbrook Industrial Precinct. There is to be a phased handover of the units with completion scheduled for September 1981.

Laing Group member Ground Engineering is undertaking site investigation for the fourth stage of the Taff Vale trunk road in Mid-Glamorgan. This contract, awarded by the Welsh Office is worth £50,000.

Awards to Wimpey top £5m

CONTRACTS worth over £5m have been won by Wimpey. The largest, valued at £2.37m, for the city of Kingston upon Hull, north Humberside, is for the erection of 196 dwellings 'st Rosamond Street. The major part of the contract is to be constructed in Wimpey no fines technique, the remainder in traditional brick construction.

The contract which includes site development and external works (oot roads and sewers) is expected to start in October.

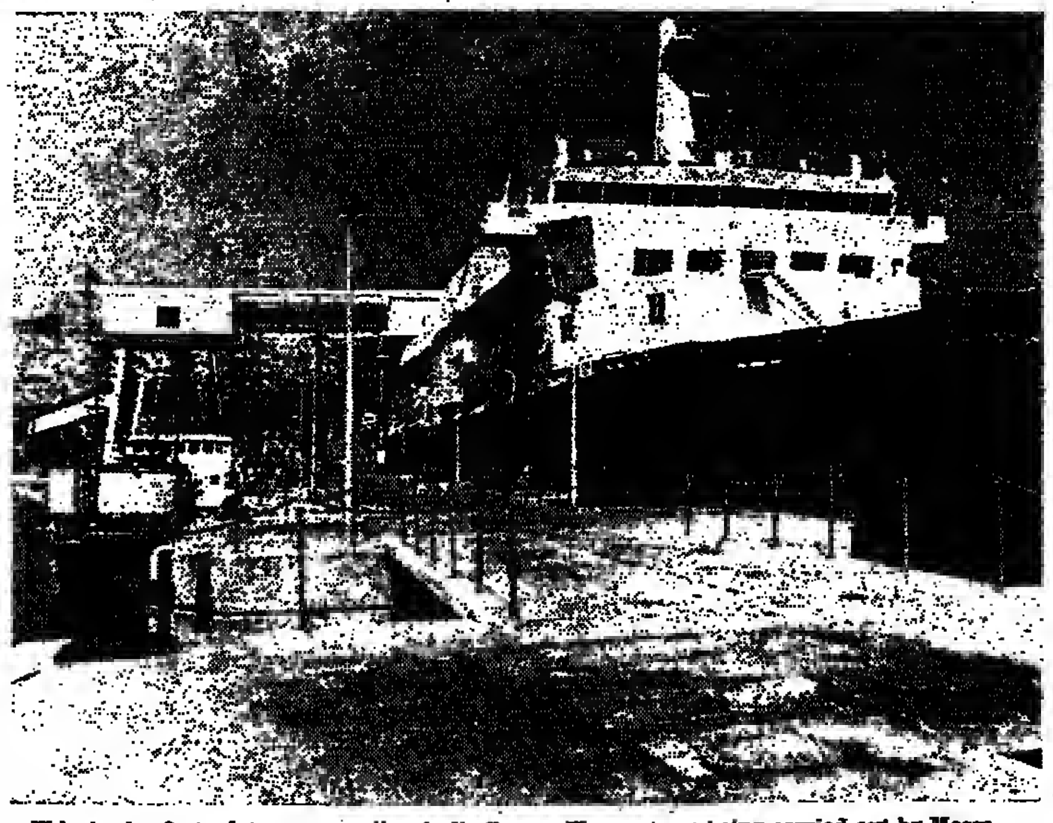
In Kent, Wimpey has won two contracts jointly valued at about £2.1m.

One is for the London Borough of Bexley for which the company is to build 56 two storey houses in Osborne Road, Belvedere, together with garages, roads and external works. The contract is due to be completed in December 1981.

The other contract is for the National Westminster Bank and is for modernisation and alterations to the latter's High Street, Chatham premises.

Work on this is scheduled for completion in June 1982. The cost is expected to be about £1m.

For English Industrial Estates Corporation, Wimpey is to undertake a £352,000 contract for the construction of an advanced factory at Riverside Park Industrial Estate, Middlesbrough. Other contracts are for ICI (£270,000) for a variety of works at the agricultural division's Billingham works, Cleveland and include tank foundations, plant access road, a two storey control room, new and refurbished road works and associated minor civil works.



This is the first of two new roll-on/roll-off berths in Dover to have been completed by Mears Contractors. The £7m contract scheduled for completion in October will provide Dover Harbour Board's Eastern Docks ferry terminal with two double width, split level ramps to permit simultaneous vehicle loading and unloading from vessels. The contract being carried out by Mears is on the site of a previous project undertaken by the company in 1968 when it constructed a hoverport. That facility has been replaced by a new international hoverport terminal also built by Mears which is now operational in the town's Western Docks.

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Housing projects

LOUGHBOROUGH builder William Davis has won five contracts totalling more than £2m to undertake modernisation projects for local authorities in the East Midlands.

At Thringstone, Leicestershire, the company is to up-date 64 houses for North West Leicestershire District Council; 32 houses at Arnold, Nottinghamshire for Gedling Borough Council; 32 houses at Wigston, Leicestershire for the Oadby and Wigston Borough Council; and 36 flats in Nottingham for the City Council.

Fifth project is awarded by Broxtowe Borough Council for the modernisation of 103 dwellings at Stapleford, Nottinghamshire, and covers the seventh phase of a major improvement programme with which the company has been associated on a continuous basis for the past six years.

Partington moves forward

THE VALUE of work recently awarded to T. Partington and Son (Builders) of Oldham, together with building scheduled to commence soon, totals more than £6.5m, says the company, which adds that a further £4.1m is at an advanced stage of negotiation.

Total forward order book represents a substantial recovery for the company which, at the turn of the year, suffered the cancellation of a number of major contracts due to Government cuts.

The new work, however, is in addition to £13.6m worth of contracts at various stages presently under construction.

All new work—with the exception of a £280,000 new ward floor at Oldham and District General Hospital — is for housing in the Greater Manchester and Lancashire areas.

At Higher Broughton more than 100 dwellings will be added to Salford's stock under a contract worth nearly £2m. Other Salford contracts include one for £1.74m at Worsley and £708,000-plus at Lower Broughton.

The company is to build 109 flats for the North British Housing Association at Blackburn under a contract worth £1.32m, and at Warrington New Town it has secured a deal for timber frame housing (£839,000).

London warehouses

WORK ON site has commenced on a £1.5m contract awarded to Willment Bros. by Asda Securities for the construction of 15 industrial units in four blocks at Thomas Road, London E14.

Warehouses will be constructed on in situ concrete column bases and ground beams, and in view of the close proximity of the Limehouse Cut Canal there will also be some augered piling.

Superstructure will be of structural steel portal frames with concrete casings to the stanchions. External walls are to be of facing brick to a height of two metres with plastic coated steel cladding above extending to the eaves.

The internal walls lining will be Thermalite blockwork and the roof will be clad with plastic coated plasterboard over purlin lining while the mezzanine floors are to be of reinforced concrete construction with steel beams and stanchions.

No need to move out

SWEDISH manufactured profiled aluminium bonded to an absorbent underlining called NoConDrop is being used to re-roof a number of dwellings for the Oldham Metropolitan Borough Council without the tenants moving out. This is the first installation in the UK where the NoConDrop, bonded underlining has been specified as an added precaution against condensation.

NoConDrop is a Korrugal aluminium profiled building sheet with a coating of condensation-absorbing glass fibre fabric on the underside.

Gibb office in Wales

A NEW office has been established at 124, Cathedral Road, Cardiff for Sir Alexander Gibb and Partners which has been retained by the Welsh Development Agency as consultant civil engineer for a planning study for proposed industrial sites in Newport, Gwent.

This office is to be under the direction of resident associate, J. B. Allen.

New work for Eve

LARGER OF two contracts, together worth £2.4m, awarded to Eve Construction is for a new switch-house on which work has just commenced in Wharf Road, off City Road, London, EC1, for the transmission and technical services division of the Central Electricity Generating Board at Guildford, Surrey.

Work includes construction of a 56.5 x 40 metre switch-house on piled foundations together with associated external works of cable troughs, drainage, roads and service ducts.

Superstructure is of precast and in situ concrete to 11 metres above road level, and a further 18 metres of steel framed construction. External cladding is mainly protected metal troughed sheets with brick infill panels at lower level.

The company has also started work on a £1¼m contract for Phase 1 diversion of sewers on the M1 motorway widening scheme located principally in the Watford/Garston area of Hertfordshire.

This involves laying of sewers up to 1.95 metres diameter and precast concrete box culverts in open cut and headings.

Tower moves into Europe

IN AN agreement signed between Tower Scaffolding (UK) and SIBA.TP (the Belgian division of Outinord SA) the latter company is to market and distribute Tower's range of products, including Transfix, Transform and Transwall 600, in Belgium and Luxembourg.

The Belgian company will have exclusive selling rights in this agreement and already over £100,000 worth of products have been exported for construction sites in Belgium.

New move by Gilbert Ash

THE FORMATION of a new company to handle all construction contracts which are let on the basis of a management contract or on a prime cost plus fixed fee basis has been announced by Gilbert Ash Scottish Holdings which represents the Scottish interests of Bovis.

This results from an increasing demand in Scotland for accelerated building contract procedures such as fee and management forms of contract, it is stated.

Modernising homes

ALFRED BOOTH company, Unit Construction, has announced a £1.9m contract to modernise 172 homes in Milton, Glasgow for the City of Glasgow District Council.

Work includes internal modernisation and external maintenance work. Internally, new central heating, kitchen and bathroom fittings and re-wiring form the major work.

Outside, the properties are to be pebble-dashed, and new bin stores are to be provided plus remedial work to footpaths and boundary walls.

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One of four Hyster Challenger lift trucks supplied by Barlow Handling to handle pipe sections for the oil platform being constructed for BP by Highland Fabricators of Nigg on the Cromarty Firth. The trucks are being used to lift and shift items weighing up to 25 tons.

EUROBONDS

The Association of International Bond Dealers Quotations and Yields appears monthly in the Financial Times. It will be published on the following dates in the remainder of 1980:

October 15 November 11 December 16
December 16

There is a limited amount of advertising space available each month. If your company is interested in taking advantage of this offer please contact:

The Financial Advertising Department
on 01-248 8000 Ext. 266 or 389

Scaffolding by GKN

GKN MILLS has won a £500,000 contract to supply access scaffolding for the £83m catalytic cracking unit at Amoco's Milford Haven refinery.

The cracker is being built by Procoo as prime contractor; the scaffolding work will involve erecting extensive suspended scaffolds for the installation of pipework and numerous independent scaffolds for the construction of tanks and vessels.

GKN will also be responsible for constructing additional scaffolding to support formwork for beam and column construction and other civil engineering works.

Meanwhile, The Hire and Sale division of GKN Mills Building Services has devised a new access system which it claims is based on the best features of all the aluminium access towers currently available.

The new system called "Stair Span" was designed to provide easy conversion between span type and the more sophisticated stairway-type towers.

Only three separate components are needed; the master rung, bannister brace and the stairway unit itself.

Because of the inherent lightness of the aluminium structure, GKN claims the system can be assembled by two people.

The "Stair-Span" is available for sale only from any one of the company's network of hire and sale branches. More from GKN on 01-367 3083.

IN BRIEF

● A £¾m contract for two advance factories for the Department of Industry at Brigg Road, Scunthorpe, South Humberside, has been awarded to Firth Construction.

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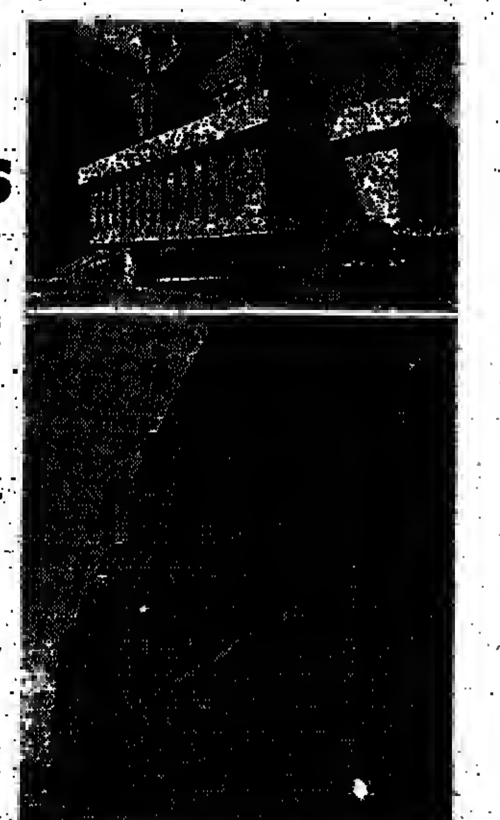
Nothing could be further from the truth. High standards are maintained on every kind of building project – be it humble or exalted, big or small, at home or abroad.

G. E. Wallis & Sons Ltd. was founded 120 years ago, and has established itself as a market leader in high quality building work, a reputation of which the company is justifiably proud.

Restoration of valuable and historic properties is a Wallis hallmark; the Palaces of Westminster and Hampton Court, and Windsor Castle, are amongst those where works have been completed.

New building projects, as well as those pictured above, include a wide variety throughout the South – such as hospitals, schools, purpose built homes, factories, offices and shopping centres.

Teamwork within Wallis is a key contributor to the success of the Group as a whole. Firstly, an impressive labour relations record



(Top) Truro Cathedral (Above) Central Criminal Court, Old Bailey, London.

has created a solid base for expansion in the eighties. Secondly, specialist divisions within the Group provide the all important expertise and back-up it needs in times of ever changing priorities and conditions.

All in all, Wallis have some pretty solid foundations on which to build for the future.

Wallis

Head Office 2-6 Homesdale Road, Bromley, Kent BR2 9TN. Tel. 01-464 3377. Branches in Maidstone, Newport and Truro
Subsidiary Companies G. E. Wallis (Decorators) Ltd. G. E. Wallis (Electrical) Ltd. Broadfield Products Ltd.

CONTRACTS AND TENDERS

CALL FOR OFFERS
CONSULTANT REQUIRED
EMIRATES AND INV. CO. LTD.

Telex: 524 P.O. Box: 7036 Telg.: EMSU-KM
Tels.: 79768 - 79687 - 73335 - 71080 - 80695 - 73245

OFFERS FOR CONSULTANCY AND SUPERVISION OF CIVIL WORKS

INTRODUCTION:

Due to expansion of programmes and works of Emirates and Sudan Investment Co. Ltd. the Managing Director invites offers from qualified Engineering Consultancy firms (inside and outside Sudan) for the following jobs:—

(1) Supervision of civil works of Portsudan Hotel (a turn-key job). Tender documents (in English only) could be obtained against cash payment of three hundred and twenty five sterling pounds (325) or equivalent in convertible currency.

(2) Supervision of civil works of Poultry Farm at Jebel Awlia (also a turn-key job). Tenders for the project have been called for recently.
Tender documents could be obtained against cash payment of one hundred sterling pounds (100) or equivalent in convertible currency. Consultancy firms can bid for more than one job.

TENDER TERMS:

(The details are in the document)

(A) Offers should include information and full details about the consulting firm, including registration, staff list of both permanent and non-permanent and should state clearly names, qualifications, experience, engineering references, duties and guarantees required.

(B) The closing date of offers is twelve o'clock a.m., Wednesday, October 15th, 1980. Tenders should be delivered to the company Head Office, Fifth Floor, Aktaka Building, Atbra Street, Khartoum.

(C) The Managing Director of Emirates and Sudan Investment Co. Ltd. is not bound to accept the lowest or any other offer.

TECHNICAL TRANSLATION

A comprehensive translation service for engineering subjects for the People's Republic of China, the Middle East, Eastern Europe including Russia and Latin America. Plus complete in-house typesetting, artwork and printing facilities for Specifications, B.o.Q's, Legal Documents, and Technical Manuals. Also translations by Telex and Facsimile.

For details contact David Mealing

WORLD-WIDE LANGUAGES
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COMPANY NOTICES

NEW KLEINFONTEIN PROPERTIES LIMITED
INTERIM REPORT

FINANCIAL:
The unaudited results of the Group's operations for the six months ended 30th June 1980 are as follows:—

	Six months ended 30 June 1980	Six months ended 30 June 1979	Year ended 31 December 1979
Net Loss	R56 183	R75 430	R158 131

PROPERTY:
Although a formal deed of sale was signed during April, 1980 involving a purchase consideration of R750 000 for approximately four hectares of the Company's ground on the farm Kleinfontein 67 I.R., Benoni, it has been deemed imprudent to reflect the transaction in the financial statements for the six months because of a number of unresolved suspensive conditions in the deed of sale which requires the Company to obtain the consent of the Provincial Administration to the major commercial development envisaged by the purchaser. It is anticipated that the appropriate consent will be forthcoming shortly in which case the deed of sale will become binding, resulting in a significant profit accruing. At that stage physical development of the ground will also become possible and it is confidently predicted that this will result in extensive commercial, business and prestige residential development on the Company's adjoining ground.

DUMPS AND RESIDUAL MINING TITLE:
The services of Messrs. J. B. Modd & Partners Incorporated, Consulting Mining Engineers, were engaged to undertake the investigations and feasibility studies in respect of the Company's mining residues. The initial results, viewed against the present gold price, have been sufficiently encouraging to warrant an extension of the investigations.

By Order of the Board,
J. S. HAMMILL
E. BROOM
Directors

Registered Office:
45 Commissioner Street,
Johannesburg.
23 September 1980.

NOTICE OF RATE OF INTEREST
CREDIT LYONNAIS
U.S.$30,000,000
FLOATING RATE NOTES DUE 1987

In accordance with the provisions of the Interest Determination Agency Agreement between Crédit Lyonnais and National Bank of Abu Dhabi, Paris Branch, dated as of 29th August, 1980, notice is hereby given that the rate of interest has been fixed at 12 13/16%, and that the amount payable on 18th March, 1981, against Coupon No. 1 will be U.S.$ 322.09 and that such amount has been computed on the actual number of days elapsed (181) divided by 360.
By: National Bank of Abu Dhabi, Paris Branch.

Reference Agent.

CHILEAN EXTERNAL LONG TERM DEBT—LAW NO. 5580

CHILEAN 6½% LOAN 1896
NOTICE IS HEREBY GIVEN that all the outstanding bonds of the above Loan will be redeemed at par on 1st October 1980, from which date all interest thereon will cease.
These bonds when presented at the office of N. M. Rothschild & Sons Limited for redemption must have the coupon dated 1st April 1981, and all subsequent coupons, attached.
The redemption of the bonds will be made by cheque drawn on... [illegible]
CHILEAN GOVERNMENT 4½% BONDS FOR £275,000 NOMINAL CAPITAL (LAW 7TH SEPTEMBER 1910)
NOTICE IS HEREBY GIVEN that a Drawing of Bonds of the above Loan took place on 11th September, 1980 attended by Mr. Keith Francis Croft Baker, of the firm of John Venn & Sons, Notary Public, when the following bonds were drawn for redemption at par on 1st October, 1980, from which date all interest thereon will cease:
7 Bonds of £100 nominal capital each
843 1180 1188 1277 1241 1259
2 Bonds of £20 nominal capital each
2308 3328
9 Bonds amounting to £740 nominal capital.
Witness: K. F. C. Baker, Notary Public.
Each of the above bonds when presented at the office of N. M. Rothschild & Sons Limited for redemption must bear the coupon dated 1st April 1981 and all subsequent coupons, otherwise the amount of the missing coupons will be deducted from the principal to be repaid.
The usual interval of four clear days will be required for examination.
New Court,
St. Swithin's Lane,
London EC4P 4DU.
22nd September, 1980.

BRAZILIAN EQUITY HOLDINGS S.A.
Registered Office
Luxembourg, 15 rue Aldringen
Registre de Commerce Luxembourg.

NOTICE OF GENERAL MEETING OF SHAREHOLDERS

A general meeting of Shareholders will be held at 27 avenue Monterey, Luxembourg, on 29th September 1980, at 11.45 a.m., for the purpose of considering and voting upon the following matters:
(1) to accept the resignation of the statutory auditor;
(2) to appoint Messrs. Moret & Limperg as statutory auditors.
The Shareholders are advised that no quorum for this general meeting is required and that decisions will be taken by the majority of the shares present or represented at the meeting with the restriction that no shareholder either by himself or by proxy can vote for a number of shares in excess of one-fifth of the shares issued or two-fifths of the shares present or represented at the meeting.
In order to take part in this general meeting, the holders of bearer shares are required to deposit their shares three business days before the meeting at the registered office of the company or with Banque Générale du Luxembourg S.A., 27 avenue Monterey, Luxembourg.
Bearer or registered shareholders should lodge their proxies with the company three business days before the meeting.
THE BOARD OF DIRECTORS

COMPANY NOTICE

KINGDOM OF DENMARK

US$100,000,000 FLOATING RATE NOTES DUE 1988

In accordance with the provisions of the Notes, notice is hereby given that for the initial interest period from September 19, 1980 to March 19, 1981 the Notes will carry an interest rate of 12 ⅞% per annum.

The interest payable on the relevant interest payment date March 19, 1981 against coupon No. 1 will be US$16,183.18 per Note.

Reference Agent:
KREDIETBANK S.A. LUXEMBOURGEOISE.

CanadianPacific EnterprisesLimited

DIVIDEND NOTICE

The Board of Directors of Canadian Pacific Enterprises Limited, at a meeting held at Montreal, Quebec, on the 8th day of September, 1980, resolved that a quarterly dividend of twenty-five cents (25c) Canadian per share on the outstanding common shares of the Corporation be and the same is hereby declared, payable, on October 23, 1980 to shareholders of record at the close of business on October 2, 1980.

By order of the Board,
G.S. MacLean,
General Manager, Administration and Corporate Secretary.

Montreal, Quebec,
September 8th, 1980.

PERSONAL

IN BEREAVEMENT—Send your tribute in a form that never fades—with a donation to help old people in need. Help The Aged, Room FTB13, 32, Dover Street, London W1 7TE.

APPOINTMENTS

Divisional changes at ACC

ASSOCIATED COMMUNICATIONS CORPORATION has reorganised its records and tapes division. Mr. Louis Benjamin is to relinquish the chairmanship and his directorships of the various Pye Records companies to enable him to assume other responsibilities within the group. Mr. Jack Gill, Mr. Ellis Birk and Mr. Walter Woyda will also be retiring from the Boards of the various companies of which they are directors in the records and tapes division, concerned with sound recordings.

Mr. Derek Honey will be managing director of Pye Records Limited which will be renamed Precision Records and Tapes (PRT). Mr. Walter Woyda will continue as managing director of Precision Video.

The principal place of business of PRT is to be moved from ACC House to the Mitcham site but the existing recording studios at ACC House will remain and a new promotions office in the West End will be opened. The business of audio visual recordings will continue to be developed by Precision Video which will become a subsidiary of ITC Entertainments.

Mr. Alan Cornish will be appointed a director of Pye Records (Holdings) (to be renamed PRT (Holdings)) and of PRT and certain other companies in the group concerned with audio recordings.

*

Mr. I. M. McLachlan has been appointed to the Board of ELDER SMITH GOLDSBROUGH MORT.

*

Mr. J. H. Ritblat has been appointed chairman of the CORN EXCHANGE COMPANY.

*

Mr. J. A. Theophilus has beeo appointed a director and company secretary of RUSH AND TOMPKINS GROUP.

*

Mr. J. W. Stevens has been appointed a director of GRINDLAYS BANK in place of Mr. G. A. Costanzo.

*

Mr. K. E. Weldon has been appointed an additional director of MARSHALL CAVENDISH and has become chairman in place of Mr. G. C. Amy, who has resigned from the Board. Mr. M. J. Gorman and Mr. R. Phillips bave also been made additional directors.

*

Mr. Laurie Taylor has been appointed managing director of HARTING ELEKTRONIK, of Biggio Hill. He joins the company fro mKlippon Electricals.

*

Mr. W. P. Wilder has been appoioted a director of the ROYAL BANK OF CANADA.

*

Mr. F. A. J. Berry and Mr. M. Carlisle, executive officials of the SUN LIFE ASSURANCE SOCIETY, bave been elected to the Board.

*

Mr. P. Prashner is resigning his partnership with NORTHCOTE AND CO., stockbrokers, from September 26 but will remain with the firm as an associate member. Mr. D. R. Bennie will be taken into partnership on October 1.

*

A corrected agency announcement states that Mr. T. M. Sowden has been appointed chairman of the IRONMAKING AND STEELMAKING PLANT CONTRACTORS' ASSOCIATION, not Mr. Smeddon as reported on September 16.

*

Mr. Tony Smith has been appointed secretary-designate of the UNIT TRUST ASSOCIATION to succeed Mr. Wilfred Burnett, who will retire on November 7.

From October 1978 to June 1979, Mr. Smith was campaign director of the campaign against building industry nationalisation and his most recent appointment was general secretary of the Federation of Civil Engineering Contractors.

*

Mr. George H. Smalley will take over from Mr. Colin T. Brooks as president of the NATIONAL FEDERATION OF FRUIT AND POTATO TRADES at its annual conference which begins in Harrogate on October 2.

*

Mr. Richard Ford will be appointed a director of TBA INDUSTRIAL PRODUCTS and general manager of that company's belting division from October 1. He will succeed Mr. Robert Pearce, who retires on January 31, 1981. The parent concern is Turoer and Newall.

*

Mr. Leslie Wall, a oon-executive director, is to be vice-chairmao of the LIVERPOOL DAILY POST AND ECHO.

*

Mr. R. W. Smith has joioed the board of KININMONTH MANAGEMENT and bas beeo appoioted cbairmao of Kiniomonth Limited.

*

CBS Soogs Interoational has appointed Mr. James Ware as maoaging director of APRIL MUSIC, CBS's British music publishing divisioo, with effect from October 1. He will be moving from bis preseot positioo at Virgin Records as director for the legal and busioess affairs of the Virgin Groop.

*

OCCIDENTAL PETROLEUM CORPORATION states that Mr. Donald L. Baeder, president and chief operating officer of Hooker Chemical Corporation, bas been elected to the new Occideotal corporate position of executive vice-presideot for scieoce and technology. Mr. Baeder will be succeeded as president and chief operating officer of Hooker by Mr. Guy H. Watkins, general manager of the Dow Chemical Company's Louisiana division.

*

Marley has formed a company called MARLEY PROPERTIES with the following Board: Mr. T. P. O'Sullivan (chairman), Mr. R. E. Beveridge (managing director), Mr. E. W. Lansdowne and Mr. J. E. Walker.

*

Mr. R. L. Cheek has been appointed vice-president of KAISER ALUMINIUM EUROPE INC., Kaiser Aluminum and Chemical Corporation's wholly-owned European subsidiary based in Dusseldorf, West Germany. He will be responsible for the corporation's semi-fabricated aluminium activities in Continental Europe.

Before moving to Europe, Mr. Cheek was in charge of a major portion of Kaiser Aluminum's U.S. fabricating activities as vice-president and general manager of its sheet, plate, rod, bar and wire operations.

*

Mr. John Ellis, 38, has been appointed chief executive of the Norwich-based heating equipment manufacturer, HEATRAE-SADIA HEATING.

*

Mr. Peter J. Young, formerly Development Surveyor for B.A.T. Stores Holdings, has been appointed Development Acquisition Surveyor by LESSER LAND.

*

Mr. D. A. Thornham, at present regional director, City and London East region, has been appointed assistant general manager, corporate finance division, from October 1.

INSURANCE

Micro-electronics impact

BY OUR INSURANCE CORRESPONDENT

MORE THAN 400 insurance men and women will gather at Bournemouth this week for the Chartered Insurance Institute's annual conference. Central to each year's conference is the Friday morning business session when the year's accounts are submitted, reports made, officers elected and so on.

Around this, though, are a number of other events. The Thursday is traditionally given over to the presentation and discussion of specially prepared papers on problems of current importance to insurers. This year there is just one such paper—"Implications of microelectronic technology to the insurance industry"—prepared by Mr. C. T. Bilby of the National Farmers' Union Mutual and Mr. B. Lawrence of Crusader Insurance.

The making of prognostications about the effects of microprocessing on the various business sectors is rapidly becoming an industry in itself; and few insurance people can be unaware that the microchip, the microprocessor, will change their working lives in the next decade. But how substantial, how drastic will be the change, and how rapidly will it come?

Messrs. Bilby and Lawrence have been working together for some time—researching, discussing, predicting—but in this conference paper, quite rightly they point to the problems, ask their audience to consider fundamental questions and leave them perhaps to come up with some of the answers in the course of Thursday morning's discussion.

The authors are committed: early on in their paper they declare, "Microelectronic technology is one of the great developments of the 20th century. As a nation, if survival is to be our aim, we have no alternative but to apply it as creatively as possible."

They go to quote from a Government booklet on manpower implications: "Competitive efficiency is vital to the insurance industry . . . there is no realistic option of preserving employment by ignoring new technology."

Theo for good measure they summarise a number of union views including that of Mr. Clive Jenkins of the Association of Scientific, Technical and Managerial Staffs that the labour forces in banking and insurance will be "decimated" over the long term.

All this in the opening paragraphs. No one reading the conference paper, no one participating in the discussion at Bournemouth on Thursday can harbour any illusion that microprocessing is not concerned with jobs.

The British Insurance Association, basing its figures on estimates from the Department of Employment, reckons that approaching 270,000 people are employed in private sector insurance—just under 150,000 men and close on 120,000 women.

What will these figures be in 1985, in 1990? And will the inevitably reduced numbers of employees still be working a five-day week, or will the working week be reduced to four or even three days? How will offices be organised, bearing in mind the round-the-clock insurance needs of both commercial and private policy holders?

The paper concludes with two wider questions. "Has management the ability to manage the changes? Have the staff and the unions the ability to play their part in understanding the essential need for the change that will be the real challenge of the 1980s?"

COMPANY ANNOUNCEMENT

AAC

WESTERN DEEP LEVELS LIMITED

("Western Deep Levels")

(Incorporated in the Republic of South Africa)

COMMENCEMENT OF LISTING OF RIGHTS

The listing of the rights to the Western Deep Levels units commences on The Johannesburg Stock Exchange and The Stock Exchange in London today, September 22, 1980.

Each unit comprises 60 12% Unsecured Debentures 1986/1993 of R1 each and the entitlement to receive one option to subscribe for one ordinary share in Western Deep Levels at R60 per share in May/June of any of the years 1986 to 1990, inclusive.

The South African exchange control authorities have granted consent for non-residents of the Rand monetary area to use financial/blocked rand to purchase letters of allocation (nil-paid), to subscribe for the units of debentures comprised in letters of allocation so purchased or to take up units of debentures offered to them as of right, on the understanding that upon the redemption or sale of the debentures the proceeds would be financial/blocked rand.

Johannesburg 22 September 1980

WEEK'S FINANCIAL DIARY

The following is a record of the principal business and financial engagements during the week. The Board meetings are mainly for the purpose of considering dividends and official indications are not always available whether dividends concerned are interims or finals. The sub-divisions shown below are based mainly on last year's timetable.

TODAY

COMPANY MEETINGS—
Ingram (Harold), 21, Newman Street, W. 11.30
Rosehaugh, Winchester House, London Wall, EC. 11.00
Vibroplant, Queen's Hotel, Leeds. 1.00

BOARD MEETINGS—
Finals:
Emess Lighting
Estates Property Inv.
Mucklow (A. and J.)
Park Place
Telefusion
Tor Inv. Tst.
Walker (James) Goldsmith and Silversmith
Interims:
[illegible]

Way, Hew Road, Rainham, Essex. 12.00
Routledge and Keegan Paul, Partridge House, Henley-on-Thames. 12.45
Scottish English and Euro. Textiles, Caledonian Hotel, Edinburgh. 12.30
South Crofty, Tregenna Hotel, Pandarves Road, Camborne, Cornwall. 12.00
Streeters of Godalming, The Milford House Hotel, Godalming. 12.00
Tomkins (F. H.), The Post House, Great Barr. 12.00

BOARD MEETINGS—
Finals:
Galliford Brindley
HTV
Hunt and Moscrop
[illegible]

A copy of this circular has been delivered to the Registrar of Companies in England for registration.

SUBSCRIPTION LIST

NOVO

Invitation to B-Shareholders of

NOVO INDUSTRI A/S

Gladsaxe

to subscribe Kr. 67,027,500 new B-shares in the company

By a resolution passed at the company's extraordinary general meeting on *18th September, 1980, it* was decided to increase the company's share capital from Kr. 285,300,400 to Kr. 370,890,400. This increase will be effected through an invitation to subscribe Kr. 57,060,000 new shares – Kr. 12,375,000 A-shares and Kr. 44,685,000 B-shares – at 105% with pre-emptive rights for holders of the company's existing A-shares to subscribe the new A-shares, and for holders of the company's existing B-shares to subscribe the new B-shares. *Further, this increase will be effected through an invitation to subscribe Kr. 28,530,000 new B-shares at 250%* with pre-emptive rights for bolders of the company's existing shares – A-shares as well as B-shares – to subscribe the new B-shares. The subscription period is from 1st to 14th October, 1980.

Any share amounts not subscribed for on the basis of old shares, are underwritten firm so the subscriptions lodged will be binding in all circumstances.

As stated in the half-yearly report, the Group had a turnover of Kr. 716 mill. in the first half of 1980 com*pared with Kr. 604 mill. in the first half of 1979.*

Income after provisions for depreciation and before taxation amounted to Kr. 99 mill. in the first half of 1980 against Kr. 75 mill. in the first half of 1979. Income after taxation amounted to Kr. 71 mill. against Kr. 57 mill. in the first half of 1979.

Trading conditions during the first half of 1980 have been very good for the Novo Group. The Board of Directors expects that sales for the full year will show a significant increase over last year, and that income before taxation, in the absence of unforeseen circumstances, may rise, at current exchange rates, by 25–35% over 1979.

The Board intends to propose that the 1980 dividend on A-shares be increased from 0.5%, at which level it has been fixed for several years, to 6%, and on B-shares to 13%.

Capital expenditures on production facilities, environmental protection and safety measures amounted to Kr. 75 *mill. compared with Kr. 57 mill. in the first half of 1979. Capital expenditures for the whole of 1980 are likely* to amount to Kr. 160–170 mill.

The capital expenditure level will be somewhat higher in 1981–82. The growing sales of existing products and the introduction of new products necessitate an expansion of production facilities for the production of pharmaceuticals and enzymes.

An increase of the share capital, together with the development of profits, will produce an appropriate balance between the Group's proprietary capital and its loan capital, seen in the light of plans for expansion.

SUBSCRIPTION at 105%

Holders of the company's existing B-shares are entitled, for each holding of Kr. 500 old shares, to subscribe Kr. 100 new B-shares at 105%. Subscription at 105% is against delivery of COUPON NO. 3.

SUBSCRIPTION at 250%

Holders of the company's existing B-shares are entitled, for each holding of Kr. 1000 old shares, to subscribe Kr. 100 new B-shares at 250%. Subscription at 250% is against delivery of COUPON NO. 4.

If the shareholder does not want to make use of his subscription right, or if the shareholding is insufficient to entitle him to subscribe, the coupons nos. 3 and 4 may be transferred and used by the transferee for subscription for new shares at 105% and 250% respectively. If the subscription right attached to a coupon is only partially used, the places of subscription will split the coupon in question and deliver a coupon for the unused balance. On expiry of the subscription period on 14th October, 1980, the coupons nos. 3 and 4 become invalid.

Subscription is arranged through

AKTIESELSKABET KJØBENHAVNS HANDELSBANK — GUDME RAASCHOU, Investment Banker

who are both authorised to receive payments for subscribed amounts and issue interim certificates.

Subscription Days:	From Wednesday, 1st October to Tuesday, 14th October, 1980.
Dealing in Subscription Rights:	Subscription rights attached to old B-shares – coupon no. 3 to be used for subscribing new B-shares at 105%, and coupon no. 4 for subscribing new B-shares at 250% – *are dealt in at the Copenhagen Stock Exchange from Friday, 26th September* to Thursday, 9th October, 1980.
Places of Subscription:	AKTIESELSKABET KJØBENHAVNS HANDELSBANK Issue Department 6, Frederiksholms Kanal, Copenhagen K Telephone no.: (+45) 112 86 00, – extension nos. 3163 and 3164 *Postal address: 2, Holmens Kanal, DK-1091 Copenhagen K* GUDME RAASCHOU Investment Banker 13, Østergade DK-1100 Copenhagen K *Telephone no.: (+45) 113 19 70*
Subscription Prices:	Kr. 44,685,000 new B-shares at 105%. Kr. 22,342,500 new B-shares at 250%.
Payment:	Payment shall be made on subscription. The interim certificates delivered will be exchanged for share certificates later upon further notice.
Denominations of B-Shares:	*Kr. 4000, Kr. 1000, Kr. 500 and Kr. 100.*
Dividend:	The newly subscribed shares will carry half dividend for the accounting year 1980.
Domicile:	The company is domiciled in the Borough of Gladsaxe.
Object:	*The object of the company* is to carry on business as manufacturers of and/or traders in pharmaceutical, chemical and technical products, processes and equipment, and to carry on other business connected herewith at the discretion of the Board of Directors. Further, to carry out and support chemical, medical and technical research, and to undertake investment and financing, including the investment of capital in real property and in undertakings in Denmark *and other* countries.
Redemption:	No shareholder shall be obliged to redeem his shares, in full or in part.
Rights:	Before any dividend is recommended, ½% out of the year's profits is paid to holders of A-shares and then up to 5% to holders of B-shares. As to the distribution *of further dividends – as resolved* in general meeting – it applies that the total dividend percentage paid on A-shares may never be higher than the one paid on B-shares. If the company is liquidated, the B-shares have a prior right to be covered for their nominal value, after which a similar distribution will be made for the A-shares. After this, A-shares and B-shares participate in further distributions on an equal footing in proportion to their nominal value. Apart from this and the regulations on transferability, on pre-emptive rights to subscribe in connection with capital increases, and on voting rights – cf. below – no shares shall have any special rights.
Transferability:	The transferability of A-shares is restricted. No such restrictions apply to B-shares.
Negotiability:	*A-shares are not negotiable instruments* whereas B-shares are.
Pre-emptive rights to subscribe in connection with capital increases:	If the share capital is increased by the subscription of both A-shares and B-shares, the capital ratio existing between the two classes of shares immediately before the increase must not be disturbed. In the event of such increase, holders of A-shares have a *pre-emptive right to subscribe new* A-shares, and holders of B-shares a *pre-*emptive right to subscribe B-shares. If, however, it is decided in general meeting to increase the share capital by the subscription of either A-shares or B-shares only, both classes of old shareholders have a proportional pre-emptive right to subscribe new A-shares or B-shares, as the case may be. With a view to offering B-shares to employees for subscription, or in connection with the taking over of an existing undertaking, in full or in part, the company may – in spite of what has been stated above – decide, in general meeting, to increase the *B-share* capital *without pre-emptive subscription rights for* old shareholders. An increase of the company's B-share capital without pre-emptive subscription rights for shareholders may also be effected in connection with the conversion of US$ convertible bonds into B-shares, cf. Article 4A of the company's Articles of Association.
Registration by Name:	A-shares shall be registered by name and entered in the company's Register of Shareholders. B-shares shall be issued to bearer, but may be registered by name in the company's Register of Shareholders.
Voting Rights:	Each Kr. 100 A-share shall carry 10 votes, and each Kr. 100 B-share 1 vote.
Annual Accounts: Directors' Report: *Articles of Association:*	A copy of the company's 1979 annual accounts endorsed as to how the shareholders in general meeting have decided to employ profits, a copy of the auditors' report on *this year's accounts, the directors' report for the period after the latest* annual report, the auditors' statement concerning the directors' report and the company's Articles of Association are available for inspection at the places of subscription.
Costs:	Costs incidental to the capital increase will not be in excess of 5% of the share amount offered for subscription.
Board of Directors:	K. Holm-Nielsen, Advocate of the Supreme Court, Chairman C. B. Andersen, Director K. Hallas-Møller, Dr. phil., LL.D.h.c., President Olav Haugan, Electrician, Employee representative Niels W. Holm, Fil. dr. Bent Iversen, Director Robert Pedersen, Ingeniør Per Rosendal, Cand. polyt., Employee representative
Management:	K. Hallas-Møller, Dr. phil., LL.D.h.c., President Mads Øvlisen, Attorney, MBA, Deputy Managing Director, General Counsel Kåre B. Dullum, Cand. polit., MBA Kim A. Hueg, Cand. polyt., HD H. Juncher, B.Sc., M. Sc. Ulrik V. Lassen, Professor, dr. med.
Auditors:	Revisionsfirmaet C. Jespersen Revisionsfirmaet Revisam /Alex R. Ankjær-Jensen, State-Authorized Public Accountant

Bagsværd, September 18, 1980

THE BOARD OF DIRECTORS OF

NOVO INDUSTRI A/S

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Kr. 44,685,000 new B-shares at 105%
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in NOVO INDUSTRI A/S.

Copenhagen, September 18, 1980

AKTIESELSKABET KJØBENHAVNS HANDELSBANK — GUDME RAASCHOU, Investment Banker

For subscription of new shares and purchase/sale of subscription rights (Coupons 3 and 4), please apply to:

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When the interim certificates, representing "B" shares which have been subscribed for, have been issued, application will be made for the new "B" shares to be listed on the Stock Exchange in London.

INTL. COMPANIES & FINANCE

Harvester exercises Daf option

By John Griffiths

INTERNATIONAL Harvester has exercised a long standing option to buy a further 4½ per cent stake in Daf, the Dutch truckmaker, bringing IH's holding to 37½ per cent.

IH's acquisition of the shares from Daf's founding Van Doorne family makes the Chicago-based company joint largest shareholders with the Van Doornes, who had held 42 per cent of Daf since the start of the 1970s when IH first took up its holding.

IH is intent on establishing itself as a pan European truck force.

But despite the joint holding in Daf, the two companies have never got on very well and it was widely expected until recently that IH would drop its Daf stake in favour of expansion through Seddon Atkinson, the British heavy truck maker which it owns, or else by its proposals to take over Enasa, the Spanish truck maker. IH has said it will announce whether it will proceed with the Enasa takeover by the end of the month—a deal which also provides for the setting up of a plant in Spain to make 100,000 engines a year.

Daf itself embarked at the end of last year on talks with Peugeot SA about possible co-operation on truck manufacturing in Europe, following Peugeot's acquisition of the British Dodge trucks operation as part of the Chrysler takeover.

An agreement was expected in the spring. But the talks appeared to run into difficulties when IH indicated it was also interested in playing a role in any operation set up by Daf and Dodge. Should Peugeot have cooled to the idea, as now seems possible, IH is still left—at least for the moment—with its three possible avenues to expansion intact.

Profits setback for Esso Malaysian

BY WONG SULONG IN KUALA LUMPUR

ESSO MALAYSIAN reports a sharp fall in first half 1980 profits from 12.6m ringgit to 8.1m ringgit (S$3.85m), after tax. The company blamed the sharp increases in the price of imported crude oil and its inability to recover costs.

The price of Saudi Arabian crude oil increased by 56 per cent between last November and April, 1980, Esso explained. During that period, the Malaysian Government only allowed a partial recovery of costs through price increases, and "additional substantial relief" was not forthcoming until August, when a price increase for petroleum products was allowed.

Petroleum product sales were down from the same period last year due to lower contracts for imported fuel oil, but crude runs at the refinery were slightly up. Earnings from the ammonia business were weak.

Interim dividends are being maintained at 25 per cent for Ordinary shares and 6 per cent for Preference shares.

● PUBLIC BANK increased after-tax profit by 90 per cent to 4.46m ringgit in the first-half to June. Group deposits rose by 25 per cent to 735m ringgit, while loans and advances were up 28 per cent to 543m ringgit.

In previous years, the group's subsidiary, Public Finance, has recorded the sharpest rates of profit growth, but this time, it was the bank itself that has impressed with a 100 per cent rise in after-tax profit to 1.28m ringgit. Public Finance increased net profit by 55 per cent to 1.6m ringgit.

The bank has been given approval by the Malaysian authorities to set up three more branches, while Public Finance has also been allowed to set up two more branches.

The second half profit performance is forecast to be "equally good."

Interfood lifts dividend

BY OUR ZURICH CORRESPONDENT

DIVIDEND of Interfood, the Swiss holding company which owns the Suchard and Tobler chocolate concerns, is to be increased to 23 per cent for 1979, compared to 20 per cent, and is represented by the distribution of SwFr 23 per share of SwFr 100 nominal value and SwFr 115 per share of SwFr 500 nominal value.

Consolidated profits rose by 5.7 per cent to SwFr 14.02m ($8.57m) last year after a rise in turnover from SwFr 1.22bn to SwFr 1.34bn ($819m).

The group sees good prospects in the confectionery sector and plans further moves to expand its presence abroad. Earlier this year Interfood acquired a stake in the Belgian company Chocolaterie Callebaut and took over the U.S. producer, Andes Candies.

● Metallwaren-Holding recommends payment for the year ended June 30 of a dividend of SwFr 20 per share following a 30 per cent rise in earnings to SwFr 320,000 ($196,320).

Group turnover went up 4.9 per cent to SwFr 129m, most of which came from the Zug-based manufacturer of household appliances and metal goods Verzinkerei.

Swiss cut new issue volume

By John Wicks in Zurich

THE Swiss Capital Market Commission has cut back its proposed new issue volume for the fourth quarter of this year. The total new issue sum has been fixed at a maximum of SwFr 2.35bn ($1.44bn). Of this, SwFr 1.9bn will represent new money and SwFr 450m refinancing.

Turnover on the Zurich Stock Exchange continues to rise. For the first eight months of this year, the overall total is SwFr 81.3bn or 3.8 per cent up on the figure for January-August, 1979. The number of bargains rose from 175,738 to 195,920.

On the Basle Bourse, turnover was down slightly from SwFr 17.5bn to SwFr 17.4bn for the period, though bargains improved from 55,266 to 57,723. The Geneva Stock Exchange, which does not publish turnover, showed a rise in bargains from 57,234 to 61,236 in its first seven months.

● An unchanged 7 per cent dividend is to be paid by Intershop Holding, the Zurich-based property development company, for the year ended March 31. This follows a rise in net profits of 11.9 per cent to SwFr 4.25m ($2.6m). The company specialises in the development of shopping centres and other commercial premises.

Intershop now has almost 30 per cent of its investments in the U.S. and sees the expansion of its portfolio there as "virtually complete."

All countries in which Intershop has assets showed improved results, notably France, where good earnings were recorded by Interball SA, a major French developer in which the Zurich company holds a minority interest.

PENDING DIVIDENDS

For the convenience of readers the dates when some of the more important company dividend statements may be expected in the next few weeks are given in the following table. The dates shown are those of last year's announcements, except where the forthcoming board meetings (indicated thus*) have been officially published. It should be emphasised that the dividends to be declared will not necessarily be at the amounts or rates per cent shown in the column headed "Announcement last year."

	Date	Announcement last year
*Amal Metal	Sept. 25	Int. 3.0
*APV	Sept. 25	Int. 2.8
*Armstrong Equipment	Sept. 24	Final 1.72
Assoc. Biscuit	Oct. 9	Int. 2
*Bank of Scotland	Sept. 23	Int. 7.25
*Barratt Devs.	Sept. 23	Final 7.355
*Borlow Hldgs.	Sept. 25	Int. 1
*Berkeley Hambro	Sept. 25	Int. 2.5
*Brit. Home Stores	Oct. 22	Int. 3.5
Brooke Bond	Oct. 18	Final 2.635
*Cape Inds.	Oct. 7	Int. 3.9
Combined Eng. Stores	Oct. 6	Int. 1.49
*Debenhams	Oct. 16	Int. 2.0411
*DRG	Sept. 22	Int. 3
*Dunlop	Sept. 25	Int. 2.65
Eastern Produce	Oct. 16	Int. 1.4
Empire Stores	Oct. 10	Int. 2.4
Finlay (Jas.)	Oct. 8	Int. 2.75
*Fisons	Sept. 22	Int. 5.895
Fosaco Minsep	Oct. 1	Int. 2.65
Freemans (Lond. SW9)	Oct. 9	Int. 1.5
Glaxo	Oct. 8	Final 11
*Hall Engng.	Sept. 26	Int. 3.1
*Harris and Sheldon	Sept. 23	Int. 1.25
Harris Queensway	Oct. 2	Int. 4
Hawker Siddeley	Oct. 16	Int. 3.0
*Howden (Alex)	Sept. 26	Int. 3.5
*Ibstock Johnsen	Oct. 3	Int. 1½
*Kleinwort Benson	Sept. 23	Int. 2.5
*Laing (J.)	Sept. 30	Int. 1.0
*Laing Props.	Oct. 8	Int. 1.25
*Marks and Spencer	Oct. 18	Int. 1.5
Minet	Oct. 11	Int. 2.75
Mowlem (J.)	Oct. 1	Int. 1.75
*Ransomes Sims & Jefferies	Sept. 22	Int. 3.14
*Ready Mixed Concrete	Sept. 30	Int. 3.35
Rockware	Sept. 22	Int. 1.5
Rugby Portland Cement	Oct. 15	Int. 2.2
Saars	Oct. 2	Int. 1
Spirax-Sarco	Oct. 16	Int. 2.5
*Tarmac	Sept. 22	Int. 5.0
UBM	Oct. 18	Int. 2.0
*United Newspapers	Sept. 23	Int. 8.0
*Vickers	Sept. 26	Int. due
*Wearnford Glass	Sept. 30	Int. 0.8
*Wimpey (G.)	Sept. 25	Int. 0.75

* Board meeting intimated. † Rights issue since made. ‡ Tax free. § Scrip issue since made. ¶ Forecast.

The Long-Term Credit Bank of Japan Finance N.V.

U.S.$25,000,000 Guaranteed Floating Rate Notes due 1988

For the six months 19 September 1980 to 19 March 1981 the Notes will carry an interest rate of 12 13/16 per cent (twelve and thirteen sixteenths per cent) per annum with a coupon amount of U.S.$322.09.

BANKERS TRUST COMPANY, SINGAPORE
Agent Bank

LOCAL AUTHORITY BOND TABLE

Authority (telephone number in parentheses)	Annual gross interest %	Interest payable	Minimum sum £	Life of bond Year
Knowsley 051 548 6555	13½	½-year	1,000	4-5
Redbridge 01 478 3020	13½	½-year	200	5-6

BASE LENDING RATES

	%		%
A.B.N. Bank	16	■ Hambros Bank	16
Allied Irish Bank	16	■ Hill Samuel	§16
American Express Bk.	16	C. Hoare & Co.	†16
Amro Bank	16	Hongkong & Shanghai	16
Henry Ansbacher	16	Industrial Bk. of Scot.	16½
A P Bank Ltd.	16	Keyser Ullmann	16
■ Arbuthnot Latham	16	Knowsley & Co. Ltd.	18
Associates Cap. Corp.	16	Langris Trust Ltd.	16
Banco de Bilbao	16	Lloyds Bank	16
Bank of Credit & Cmce.	16	Edward Manson & Co.	17
Bank of Cyprus	16	Midland Bank	16
Bank of N.S.W.	16	■ Samuel Montagu	16
Banque Belge Ltd.	16	■ Morgan Grenfell	16
Banque du Rhone et de la Tamise S.A.	16½	National Westminster	16
Barclays Bank	16	Norwich General Trust	16
Bremar Holdings Ltd.	17	P. S. Refson & Co.	16
Brit. Bank of Mid. East	16	Rossminster	16
■ Brown Shipley	16	Ryl. Bk. Canada (Ldn.)	16
Canada Perm't Trust	17	Schlesinger Limited	16
Cayzer Ltd.	16	E. S. Schwab	16
Cedar Holdings	16	Security Trust Co. Ltd.	17
■ Charterhouse Japhet	16	Standard Chartered	16
Choulartons	16	Trade Dev. Bank	16
C. E. Coates	16	Trustee Savings Bank	16
Consolidated Credits	16	Twentieth Century Bk.	16
Co-operative Bank	*16	United Bank of Kuwait	16
Corinthian Secs.	16	Whiteaway Laidlaw	16½
The Cyprus Popular Bk.	16	Williams & Glyn's	16
Duncan Lawrie	16	Wintrust Secs. Ltd.	16
Eagil Trust	16	Yorkshire Bank	16
E. T. Trust Limited	16		
First Nat. Fin. Corp.	19		
First Nat. Secs. Ltd.	18		
Robert Fraser	16		
Antony Gibbs	16		
Greyhound Guaranty	16		
Grindlays Bank	‡16		
■ Guinness Mahon	16		

■ Members of the Accepting Houses Committee.
* 7-day deposits 14%, 1-month deposits 14¼%.
† 7-day deposits on sums of £10,000 and under 14%, up to £50,000 14¼% and over £50,000 15%.
‡ Call deposits over £1,000 14%.
§ Demand deposits 14¼%.

Public Works Loan Board rates

Effective from September 20

Years	Quota loans repaid by EIP†	A‡	at maturity§	Non-quota loans A* repaid by EIP†	A‡	at maturity§
Up to 5	12⅝	12⅞	13	14⅛	14	13⅝
Over 5, up to 10	13	13¼	13⅜	13⅝	13⅞	13⅞
Over 10, up to 15	13⅜	13⅝	13⅝	14	13⅞	13⅞
Over 15, up to 25	13⅝	13⅝	13⅝	13⅞	13⅞	13⅞
Over 25	13⅝	13⅝	13⅝	13⅞	13⅞	13⅝

* Non-quota loans B are 1 per cent higher in each case than non-quota loans A. † Equal instalments of principal. ‡ Repayment by half-yearly annuity (fixed equal half-yearly payments to include principal and interest). § With half-yearly payment of interest only.

RECENT ISSUES

EQUITIES

Issue Price p:	Amount Paid Up	Latest Renunc. Date	1980 High	1980 Low	Stock	Closing Price p:	+ or −	Div. P. or Amount	Times Covered	Gross Yield	P.E. Ratio
§60	F.P.	—	118	91	††Baker Electronics 10p	105	......	b3.85	9.0	5.2	11.1
¶¶	F.P.	—	274	216	Brint Invs.	274	+8	—	—	—	—
¶¶	F.P.	—	362	338	BP Restricted Trans.	352 xd	+4	17.5	4.7	9.9	5.4
68	F.P.	8/9	81	72	Charterh'se Petrol'm	87	−1	b1.09	4.0	1.8	13.9
160	F.P.	—	153	133	††Marinex 10p	143	−2	—	—	—	—
67	F.P.	—	182	92	††ORE	125	+11	—	—	—	—
§57	F.P.	—	85	73	††Utd. Electronis 20c	82	−1	b1.57	2.2	2.7	23.4

FIXED INTEREST STOCKS

Issue Price £	Amount Paid Up	Latest Renunc. Date	1980 High	1980 Low	Stock	Closing Price £	+ or −
¶¶	F.P.	10/10	114p	107p	Fosaco Minsep 8½% Cnv Red Cum 2nd Prf	114p	+1
¶¶	F.P.	10/10	110	102	Do 10% Conv Uns Ln 1995	110	+1
¶¶	F.P.	30/10	98½	97	Newcastle & Gateshead Water 8½% RdP	98½	......
¶¶	Nil	—	17pm	12pm	Queens Moat 10½% Cono Uns Ln '89-91	12pm	−1
£10	—	—	12¼	12	York Waterworks 9¼% Red. Pref. 1985	12¼	+¼

"RIGHTS" OFFERS

Issue Price p:	Am'unt Paid up	Latest Renunc. Date ●	■	1980 High	1980 Low	Stock	Closing Price p:	+ or −
300	F.P.	29/9	17/10	366pm	344pm	Blue Circle	366pm	......
105	Nil	—	—	16pm	13pm	British Vita	13pm	−1
A$350	Nil	—	—	158pm	146pm	CRA	150pm	−8
30	Nil	29/9	20/10	11pm	2pm	Laganvale Estates 10p	11pm	+5
240	Nil	—	—	126pm	120pm	M. L. Hidgs.	125pm	+5
120	F.P.	15/8	26/9	164	144	McKay Secs.	164	+1
280	F.P.	5/9	14/11	300	285	Mercantile House	293	......
14	F.P.	5/9	6/10	21	15	Moorgate Mercantile	20	......
13	F.P.	19/9	10/10	16	15	Spencer Gears	16	......

Renunciation date usually last day for dealing free of stamp duty. b Figures based on prospectus estimate. g Assumed dividend and yield. u Forecast dividend: cover based on previous year's earnings. F Dividend and yield based on prospectus or other official estimates for 1979. Q Gross. T Figures assumed. ‡ Cover allows for conversion of shares not now ranking for dividend or ranking only for restricted dividends. § Placing price to public. pt Pence unless otherwise indicated. ¶ Issued by tender. ‖ Offered to holders of ordinary shares as a "rights." ** Issued by way of capitalisation. §§ Reintroduced. ¶¶ Issued in connection with reorganisation, merger or takeover. ‖‖ Introduction. □ Issued to former preference holders. ■ Allotment letters (or fully-paid). ● Provisional or partly-paid allotment letters. ★ With warrants. †† Unlisted security. ‡ Dealings under special rule. ‡‡ London Listing.

CURRENCIES, MONEY and GOLD

Fund management goes international

BY COLIN MILLHAM

FUND management was once a popular diversion for the discount houses, but in the last year or so the number involved has fallen from five to three. It has now become the province of the small to medium-sized house, where the limited size of the total market need not be a drawback. In other words a small profit from few overhead expenses may be worthwhile to one house, but insignificant to another.

Against this background a new company has been formed which has similar objectives to the existing fund managers, but with no immediate connection with a discount house, despite strong past links.

Gerrard and National and Gillett Brothers have closed their fund management companies, leaving the field open to Allen Harvey and Ross, Clive Discount and King and Shaxson.

With the two biggest houses, Union Discount and Gerrard and National selling their money broking subsidiaries, and only three of the five fund management operations still active, it could be said that one stage of discount market rationalisation has already taken place. If there is a second stage it is likely to be more fundamental, bringing about the amalgamation of some of the present 13 houses.

Although other houses are unlikely to provide fresh competition in fund management, this may well come from outside the discount market. A new entrant into a similar area of operation is Reserve Asset Managers.

Mr. David Whitby, chairman of the company, was once chairman and managing director of Gillett Brothers Discount Company, while Mr. George McNeill, Reserve Asset Managers' managing director, was until recently managing director of Gillett's fund management subsidiary.

The object of the new company is to tap a wider international market by managing investments in U.S., as well as British, government securities and money market instruments. Acting solely as an agent Reserve Asset Managers is aiming its services primarily at institutional investors.

With the ending of exchange controls, and through links with the Philadelphia National Corporation, the company is not looking to compete with the existing fund managers but to find a new area of trade.

GOLD

	Sept. 19		Sept. 18	
Gold Bullion (fine ounce)				
Close	$676-679	(£283¼-284½)	$671-674	(£281½-282¾)
Opening	$672-675	(£281½-283)	$668-671	(£279¾-280¾)
Morning fixing	$674.50	(£282.358)	$676	[illegible]
Afternoon fixing	$674	(£282.040)	$672	(£281.528)
Gold Coins				
Krugerrand	$697-699	[illegible]	$691½-695	[illegible]
Maple leaf	[illegible]	[illegible]	[illegible]	[illegible]
New Sovereigns	[illegible]	[illegible]	[illegible]	[illegible]
King Sovs.	[illegible]	[illegible]	[illegible]	[illegible]
Victoria Sovs.	[illegible]	[illegible]	[illegible]	[illegible]
French 20s	[illegible]	[illegible]	[illegible]	[illegible]
50 pesos Mexico	[illegible]		[illegible]	
100 Cor. Austria	[illegible]		[illegible]	
$20 Eagles	[illegible]		[illegible]	
$10 Eagles	—		—	
$5 Eagles	—		—	

OTHER CURRENCIES

Sept. 19	£	$		£ Note Rates
Argentina Peso	[illegible]	[illegible]	Austria	[illegible]
Australia Dollar	[illegible]	[illegible]	Belgium	[illegible]
Brazil Cruzeiro	[illegible]	[illegible]	Denmark	[illegible]
Finland Markka	[illegible]	[illegible]	France	[illegible]
Greek Drachma	[illegible]	[illegible]	Germany	[illegible]
Hong Kong Dollar	[illegible]	[illegible]	Italy	[illegible]
Iran Rial	[illegible]	[illegible]	Japan	[illegible]
Kuwait Dinar (KD)	[illegible]	[illegible]	Netherlands	[illegible]
Luxembourg Frc.	[illegible]	[illegible]	Norway	[illegible]
Malaysia Dollar	[illegible]	[illegible]	Portugal	[illegible]
New Zealand Dlr.	[illegible]	[illegible]	Spain	[illegible]
Saudi Arab. Riyal	[illegible]	[illegible]	Sweden	[illegible]
Singapore Dollar	[illegible]	[illegible]	Switzerland	[illegible]
Sth. African Rand	[illegible]	[illegible]	United States	[illegible]
U.A.E. Dirham	[illegible]	[illegible]	Yugoslavia	[illegible]

Rate given for Argentina is free rate.

THE DOLLAR SPOT AND FORWARD

Sept. 19	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Ireland†	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Canada	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Nethlnd.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Belgium	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Denmark	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
W. Ger.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Portugal	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Spain	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Italy	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Norway	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
France	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sweden	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Japan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Austria	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Switz.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

† UK and Ireland are quoted in U.S. currency. Forward premiums and discounts apply to the U.S. dollar and not to the individual currency.

THE POUND SPOT AND FORWARD

Sept. 19	Day's spread	Close	One month	% p.a.	Three months	% p.a.
U.S.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	3.22
Canada	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	4.31
Nethlnd.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	4.82
Belgium	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	2.78
Denmark	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	−2.85
Ireland	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	1.05
W. Ger.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	5.53
Portugal	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	−1.76
Spain	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	−8.08
Italy	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	−7.56
Norway	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	2.55
France	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	3.31
Sweden	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	−1.46
Japan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	3.08
Austria	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	3.23
Switz.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	6.56

Belgian rate is for convertible francs. Financial franc [illegible]. Six-month forward dollar 2.37-2.27c pm, 12-month 2.75-2.60c pm.

FT LONDON INTERBANK FIXING (11.00 a.m. SEPTEMBER 19)

3 months U.S. dollars		6 months U.S. dollars	
bid 12	offer 12 1/8	bid 12 9/16	offer 12 11/16

The fixing rates are the arithmetic means, rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11 am each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris, and Morgan Guaranty Trust.

EURO-CURRENCY INTEREST RATES (Market Closing Rates)

Sept. 19	Sterling	U.S. Dollar	Canadian Dollar	Dutch Guilder	Swiss Franc	West German Mark	French Franc	Italian Lira	Asian $	Japanese Yen
†Short term	—	10¾-11	10-11½	9¾-9⅞	1-1½	8½-8⅝	11⅛-11¾	14-16	4-4⅛	16-17
7 days' notice	16⅛-16½	10¾-11	10-11½	9⅞-10⅛	1¼-1¾	8½-8⅝	11⅛-11¾	14¾-18¾	10⅞-11⅛	17-18
Month	15¼-15⅜	11⅝-11⅞	10½-10⅞	10⅛-10⅜	5⅜-5½	8⅝-8⅞	11⅞-12⅛	19½-21½	11⅛-11⅜	14⅛-14⅜
Three months	15⅝-15⅞	11⅞-18⅛	11-11⅛	10⅜-10½	5⅛-5⅜	8⅛-8⅝	12-12¼	23-24	12-12⅛	12⅛-12⅜
Six months	14⅝-14⅞	12½-12¾	11¾-12⅛	10½-10⅝	5¾-5⅞	8⅜-8⅛	12⅜-12⅝	24½-25½	12⅛-12⅜	11¼-11½
One Year	13¾-14	19½-12¾	12⅛-12½	10⅜-10½	5⅛-5⅜	8⅛-8⅜	12⅝-19⅞	23½-24½	12½-12⅝	10-10¼

Long-term Eurodollar two years 12⅝-12⅞ per cent; three years 12⅝-12⅞ per cent; four years 12⅝-12⅞ per cent; five years 12⅝-12⅞ per cent nominal closing rates. Short-term rates are call for sterling, U.S. dollars, Canadian dollars and Japanese yen; others two-days' notice. Asian rates are closing rates in Singapore.

The following nominal rates were quoted for London dollar certificates of deposit: One-month 11.10-11.20 per cent; three-months 11.75-11.85 per cent; six-months 12.20-12.30 per cent; one year 12.35-12.45 per cent.

LONDON MONEY RATES

Sept. 19 1980	Sterling Certificate of deposit	Interbank	Local Authority deposits	Local Auth. negotiable bonds	Finance House Deposits	Company Deposits	Discount market deposits	Treasury Bills ♦	Eligible Bank Bills ♦	Fine Trade Bills ♦
Overnight	—	14-16½	—	—	—	15¾-16	15-15½	—	—	—
2 days notice	—	—	18⅛-15¼	—	—	—	—	—	—	—
7 days or	—	—	—	—	—	—	—	—	—	—
7 days notice	—	16⅛-18¼	16¼-16⅜	—	16½	16⅛	16¼-15⅝	—	—	—
One month	16⅛-16⅛	19⅛-16⅛	16⅝	17¼-17⅝	16⅛	16½	15½	14⅞	16⅛	18⅞
Two months	19-15⅛	15⅛-15⅛	—	16¾-17	16⅛	—	14¼-14¾	14⅛-14⅜	15⅛	16¼
Three months	16½-13⅝	16⅛-15⅛	15½	16¼-15¾	15⅛	16	14-14¼	14⅛-14⅜	14⅞-14⅛	15¾
Six months	14⅛-14⅛	14⅝-14¾	14⅝-14¾	14⅞-14⅝	14⅛	15¼	—	—	13⅛-13⅛	14¼
Nine months	13¾-16⅛	13⅞-16¾	—	14⅛-14½	14⅛	14½	—	—	—	—
One Year	13⅛-13⅛	13⅝-13¾	15⅝-15⅝	15⅛-13⅞	15⅛	14¼	—	—	—	—
Two years	—	—	13⅝-15¾	—	—	—	—	—	—	—

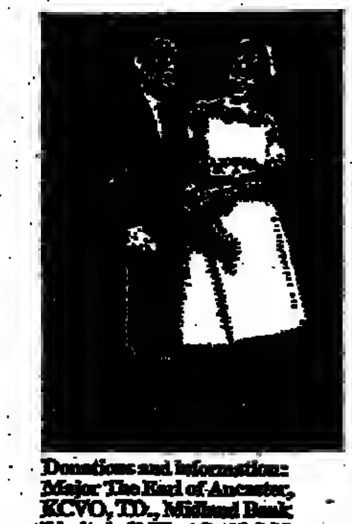
Local authority and finance houses seven days' notice, others seven days' fixed. Long-term local authority mortgage rates nominally three years 13¾ per cent; four years 13½-13¾ per cent; five years 13½ per cent. ♦Bank bill rates in table are buying rates for prime paper. Buying rates for four-month bank bills 14⅛-14⅛ per cent; four-month trade bills 15⅛ per cent.

Approximate selling rate for one-month Treasury bill 14⅛-14⅛ per cent; two-months 14⅛-14⅛ per cent; three-months 14⅛-14⅛ per cent. Approximate selling rate for one-month bank bills 15⅛ per cent; two-months 15⅛ per cent; three-months 14⅛-14⅛ per cent; one-month trade bills 16⅛ per cent; two-months 16 per cent; and three-months 15⅛ per cent.

Finance Houses Base Rates (published by the Finance Houses Association) 16½ per cent from September 1, 1980. Clearing Bank Deposit Rates for sums at seven days' notice 14 per cent. Clearing Bank Rates for lending 16 per cent. Treasury Bills: Average tender rates of discount 14.1318 per cent.

CURRENCY RATES

Sept. 19	Bank rate %	Special Drawing Rights	European Currency Unit
Sterling	16	0.552283	0.590025
U.S. $	10	1.31609	1.40633
Canadian $	11.02	1.53509	n.a.
Austria Sch.	6¾	16.7196	17.8814
Belgium F	12	37.9824	40.6077
Danish K	12	7.25560	7.84378
D'mark	7½	2.36385	2.53040
Guilder	8½	2.56901	2.74993
French Fr.	9½	5.50915	5.88336
Lira	16	1125.61	1200.65
Yen	8.25	280.985	227.860
Norwgn. Kr.	9	6.39817	6.83404
Spanish Pta.	8	95.6881	103.330
Swedish Kr.	10	n.a.	5.85946
Swiss Fr.	6	2.16828	2.31682



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COBAL INDEX: Close 493-498 (−3)

UNIT TRUST SERVICE

OFFSHORE & OVERSEAS—contd.

[illegible]

NOTES

[illegible]

FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

Abbey Unit Tst. Mngrs. (a)

Allen Harvey & Ross Unit Tst. Mngrs.

Allied Hambro Ltd. (a) (g)

Anderson Unit Trust Managers Ltd.

Ansbacher Unit Mgmt. Co. Ltd.

Arbuthnot Securities Ltd. (a)(c)

Archway Unit Tst. Mgs. Ltd. (a)(c)

Barclays Unicorn Ltd.

Baring Brothers & Co. Ltd.

Bishopsgate Progressive Mgmt. Co.

Bridge Fund Managers (a)(c)

Britannia/Schlesinger

Schlesinger Trust Mngrs. Ltd. (a)(z)

The British Life Office Ltd. (a)

Brown Shipley & Co. Ltd.

Canada Life Unit Tst. Mngrs. Ltd.

Capel (James) Mngt. Ltd.

Carliol Unit Fd. Mgrs. Ltd. (a)(c)

Cav. Sebag Unit Trust Managers(a)

Charities Charities N/R Fund

Charities Official Invest. Fund

Chieftain Trust Managers Ltd. (a)(g)

Cimularion Fund Managers(a)

Confederation Funds Mgt. Ltd. (a)

Craigmount Unit Tst. Mgrs. Ltd.

Crescent Unit Tst. Mgrs. Ltd. (a)(g)

Darlington Unit Trust Mngt. Ltd.

Discretionary Unit Fund Managers

E. F. Winchester Fund Mngt. Ltd.

Emson & Dudley Tst. Mngmnt. Ltd.

Equity & Law Un. Tr. M.

Fidelity International Management Ltd.

James Finlay Unit Trust Mngt. Ltd.

Framlington Unit Mgt. Ltd. (a)

Friends' Provdt. Trust Mgrs.

Funds in Court

G.T. Unit Managers Ltd.

G. & A. Trust (a) (g)

Gartmore Fund Managers (a)(g)

Gibbs (Antony) Unit Tst. Mgs. Ltd. (a)

Govett (John)

Grieveson Management Co. Ltd.

Guardian Royal Ex. Unit Mgrs. Ltd.

Henderson Administration (a) (b) (c)

Hill Samuel Unit Tst. Mgrs.

Investment Intelligence Ltd.

Key Fund Managers Ltd. (a)(g)

Kleinwort Benson Unit Managers

L & C Unit Trust Management Ltd.

Legal & General (Unit Tst. Mngrs.) Ltd.

Leonine Administration Ltd.

Lloyds Bk. Unit Tst. Mngrs. Ltd. (a)

Lloyd's Life Unit Tst. Mngrs. Ltd.

Local Authorities' Mutual Invest. Tst.

M & G Group (y)(c)(z)

Manulife Management Ltd.

Mayflower Management Co. Ltd.

Mercury Fund Managers Ltd.

Midland Bank Group Unit Trust Managers Ltd.

Minster Fund Managers Ltd.

MLA Unit Trust Mngmnt. Ltd.

Murray Johnstone U.T. Mgmt.

Mutual Unit Trust Managers

National Provident Inv. Mngrs. Ltd.

National Westminster

NEL Trust Managers Ltd. (a)(g)

Norfolk Unit Trust Managers Ltd.

Norwich Union Insurance Group (b)

Pearl Trust Managers Ltd. (a)(g)(z)

Pelican Units Admin. Ltd. (g)(x)

Perpetual Unit Trust Mngmt.

Practical Invest. Co. Ltd. (y)(c)

Provincial Life Inv. Co. Ltd.

Prudl. Portfolio Mngrs. Ltd. (a)(b)(c)

Quilter Management Co. Ltd.

Reliance Unit Mgrs. Ltd.

Ridgefield Management Ltd.

Rothschild Asset Management (g)(z)

Rowan Unit Trust Mngt. Ltd. (a)

Royal Tst. Can. Fd. Mgrs. Ltd.

Saturn Fund Management Limited

Save & Prosper Group

Scottish Equitable Fnd. Mgrs. Ltd.

Security Selection Ltd.

Stewart Unit Tst. Managers Ltd. (a)

Sun Alliance Fund Mngt. Ltd.

Target Tst. Mngrs. Ltd. (a)(g)

Tower Unit Trust Mgmt. Ltd.

Trades Union Unit Tst. Managers

Transatlantic and Gen. Secs. (c) (y)

TSB Unit Trusts (y)

Tyndall Managers Ltd. (a)(b)(c)

Ulster Bank (a)

Unit Trust Account & Mgmt. Ltd.

Wieler Growth Fund

J. Henry Schroder Wagg & Co. Ltd.

Scottish Securities Ltd.

INSURANCE PROPERTY BONDS

Abbey Life Assurance Co. Ltd.

Albany Life Assurance Co. Ltd.

AMEV Life Assurance Ltd.

Barclays Life Assur. Co. Ltd.

Beehive Life Assur. Co. Ltd.

Canada Life Assurance Co.

Cannon Assurance Ltd.

Capital Life Assurance

Charterhouse Magna Gp.

Chieftain Assurance Funds

City of Westminster Assurance

Commercial Union Group

Confederation Life Insurance Co.

Cornhill Insurance Co. Ltd.

Credit & Commerce Insurance

Crown Life

Crusader Insurance Co. Ltd.

Eagle Star Insur./Midland Assur.

Equity & Law Life Ass. Soc. Ltd.

Equity & Law (Managed Funds) Ltd.

Family Assurance Society

Assicurazioni GENERALI S.p.A.

General Portfolio Life Ins. C. Ltd.

Gresham Life Ass. Soc. Ltd.

Growth & Sec. Life Ass. Soc. Ltd.

Guardian Royal Exchange

Hambro Life Assurance Limited

Hearts of Oak Benefit Society

Hill Samuel Life Assur. Ltd.

Imperial Life Ass. Co. of Canada

Irish Life Assurance Co. Ltd.

King & Shaxson Ltd.

Langham Life Assur. Co. Ltd.

Legal & General (Unit Assur.) Ltd.

Legal & General Prop. Fd. Mgrs. Ltd.

Life Assur. Co. of Pennsylvania

Lloyds Life Assurance

London Aberdeen & Nthn. Mtl. Assur. Ltd.

London Indemnity & Gnl. Ins. Co. Ltd.

London Life Linked Assur. Ltd.

The London & Manchester Ass. Gp.

M & G Group

Manufacturers Life Insurance Co.

Merchant Investors Assurance

NEL Pensions Ltd.

NPI Pensions Management Ltd.

New Zealand Ins. Co. (UK) Ltd.

Norwich Union Insurance Group

Phoenix Assurance Co. Ltd.

Planned Savings Group

Premium Life Assurance Co. Ltd.

Prop. Equity & Life Ass. Co.

Property Growth Assur. Co. Ltd.

Providence Capital Life Ass. Co. Ltd.

Provincial Life Assurance Co. Ltd.

Prudential Pensions Limited

Reliance Mutual

Rothschild Asset Management

Royal Insurance Group

Save & Prosper Group

Schroder Life Group

Scottish Widows' Group

Skandia Life Assurance Co. Ltd.

Standard Life Assurance Company

Sun Alliance Fund Mangmt. Ltd.

Sun Alliance Linked Life Ins. Ltd.

Sun Life of Canada (UK) Ltd.

Sun Life Unit Assurance Ltd.

Target Life Assurance Co. Ltd.

Transinternational Life Ins. Co. Ltd.

Trident Life Assurance Co. Ltd.

Tyndall Assurance/Pensions

Vanbrugh Life Assurance

Vanbrugh Pensions Limited

Welfare Insurance Co. Ltd.

Windsor Life Assur. Co. Ltd.

OFFSHORE & OVERSEAS FUNDS

Albany Fund Management Limited

Alexander Fund

Allen Harvey & Ross Inv. Mgt. (C.I.)

Alliance International Dollar Reserves

Arbuthnot Securities (C.I.) Limited

Bank of America International S.A.

Banque Bruxelles Lambert

Barbican Managers (Jersey) Ltd.

Barclays Unicorn International

Bishopsgate Commodity Ser. Ltd.

Bishopsgate Progressive—Ldn. Agents

Bridge Management Ltd.

Britannia/Schlesinger

Britannia Tst. Mngmt. (C.I.) Ltd.

Schlesinger International Mngt. Ltd.

Brown Shipley Tst. Co. (Jersey) Ltd.

Butterfield Management Co. Ltd.

Capital International S.A.

Charterhouse Japhet

Clive Investments (Jersey) Ltd.

Cornhill Ins. (Guernsey) Ltd.

Craigmount Fixed Int. Mngrs. (Jersey)

DWS Deutsche Ges. F. Wertpapiersp

Delta Group

Deutscher Investment-Trust

Dreyfus Intercontinental Inv. Fd.

Emson & Dudley Tst. Mgt. Jrsy. Ltd.

The English Association

Eurobond Holdings N.V.

F & C Mgmt. Ltd. Inv. Advisers

Fidelity International

First Viking Commodity Trusts

Fleming Japan Fund S.A.

Frankfurt Trust Investment—GmbH

Free World Fund Ltd.

G.T. Management Ltd.

Continued on previous page

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FT SHARE INFORMATION SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

[illegible]

Five to Fifteen Years

[illegible]

Over Fifteen Years

Interest Due		Stock	Price £	Last xd	Yield Int.	Yield Red.
26S	25Mar	Exch. 12¼pc 1999	95¾xd	20.6	13.11	13.22
[illegible]	19May	Treasury 10½pc 1999	85¾	14.4	12.63	12.90
[illegible]	14Jul	Treas. 13pc 2000	100¼	—	13.23	13.25
[illegible]	22Jan	Treas. 14pc '98-01	103¼	15.4	13.55	13.38
22Jul	22Ja	Exch. 12pc '99-02	92¾	16.4	12.99	13.06
25Ja	25Jul	Treas. 13¾pc 2000-03	105¾	12.5	13.32	13.28
19S	19Mar	Treasury 11½pc '01-04	89½xd	13.9	12.82	12.92
14Ja	14Jul	Funding 3½pc '99-04	40¼	9.6	8.84	10.40
21May	21N	Treasury 12½pc '03-05	100	14.4	13.05	13.06
5Ja	5Oct	Treasury 8pc '02-06	68½xd	1.9	11.67	11.96
22Jul	22Ja	Treasury 11¾pc 03-07	93¾	16.5	12.85	12.89
25S	26Mar	Treas. 13½pc '04-08	102¾xd	20.6	13.13	13.13
10Mar	10S	Treasury 5½pc '08-12	50¾	4.6	11.01	11.35
25Jul	25Ja	Treasury 7¾pc '12-15	67¼	19.8	11.73	11.84
12 Jan.	12Jl	Exch. 12pc '13-17	96½	6.5	12.54	12.54

Undated

Interest Due		Stock	Price £	Last xd	Yield Int.	Yield Red.
1F.	1Aug	Consols 4pc	35¾	25.6	12.24	—
1Jun	1D	War Loan 3½pc	33¾	25.4	10.92	—
1Ap	1O	Conv. 3½pc '61 Aft.	36¾xd	26.8	9.87	—
5Ap	5Oct	Treasury 3pc 66 Aft.	24½xd	1.9	12.13	—
5Ja.A.J.O.		Consols 2½pc	21¾xd	1.9	11.51	—
1Ap	1Oct	Treasury 2½pc	20½xd	25.8	12.16	—

INTERNATIONAL BANK

Interest Due		Stock	Price £	Last xd	Yield Int.	Yield Red.
15F	15A	5pc Stock '77-82	86	18.1	5.81	13.53

CORPORATION LOANS

Interest Due		Stock	Price £	Last xd	Yield Int.	Yield Red.
30A	31O	Bath 11½pc 1985	97½	31.3	12.67	13.00
1J	1D	Birm'ham 12½pc 1985	97½	1.9	12.82	13.20
1M	1S	Bristol 13¾pc 1981	96½xd	15.2	10.52	14.86
1J	1D	Burnley 13pc 1987	102½	1.5	13.17	13.25
24A	24O	Cardiff 11pc 1986	95¾	24.3	12.04	13.03
25M	25N	G.L.C. 12½pc '82	99¼	25.7	12.72	13.56
1GF	10A	Do. 12½pc 1983	97xd	10.1	12.77	13.39
15M	11N	Glasgow 9¼pc '80-82	92	21.4	10.05	13.53
[illegible]	1	Herts 6½pc 1985-87	75xd	1.1	9.27	12.38
15M	15S	Liverpool 9½pc '80-84	90	15.4	[illegible]	13.25
1Ja.A.J.O.		Do. 3½pc Irred.	26xd	2.5	13.59	—
15A	15O	Lon. Corp. 13¼pc '83	99¾	15.4	13.20	13.31
[illegible]	1DJ	Do. 9½pc '84-85	89xd	1.9	10.29	11.59
15J	15D	L.C.C. 5½pc '82-84	80	16.6	6.53	12.34
1J	1D	Do. 5½pc '85-87	70¼	12.5	8.98	12.48
10Ja	10J	Do. 6¾pc '88-90	69½	10.6	9.89	12.43
1M.J.S.D.		Do. 3pc '20 Aft.	24	1.5	12.76	—
15J	15D	Sunderland 12½pc 1984	97	15.9	12.63	13.15

COMMONWEALTH AND AFRICAN LOANS

Interest Due		Stock	Price £	Last xd	Yield Int.	Yield Red.
1A	1O	Aust. 5½pc '81-82	88½xd	29.8	6.29	13.89
1J	1D	Do. 6pc 1981-83	84	30.4	7.29	12.92
1Ja	1J	N.Z. 7½pc 1988-92	65¾	2.6	11.29	13.35
15J	15D	Do. 7½pc '83-86	80¾	9.40	9.57	12.94
1M	1S	Sth. Africa 9½pc '79-81	96¼	27.3	10.25	16.81
1A	1O	S. Rhod. 2½pc Non-Ass.	96	3.66	—	30.81
15Ja	15J	Do. 6pc '78-81 N.-As.	139	12.66	—	32.15

LOANS

Public Board and Ind.

Interest Due		Stock	Price £	Last xd	Yield Int.	Yield Red.
1Ja	1J	Agric. Mt. 5pc '59-89	62¾	2.6	8.04	12.18
30J	31D	Alcan 10½pc '89-94	83	2.6	14.08	13.40
1M	1S	Met. Wtr. 3pc 'B'	29¾	1.8	10.76	13.07
30J	31D	U.S.M.C. 9pc 1982	104	16.6	8.87	—
30J	31D	Do. without Warnts.	91	16.6	10.21	14.00

Financial

Interest Due		Stock	Price £	Last xd	Yield Int.	Yield Red.
30Ja	30J	FFI 13pc 1981	98¾	[illegible]	13.16	16.14
20J	20D	Do. 14pc '83	100¾	[illegible]	13.86	13.67
31M	30S	FFI (UK) Fin 5½pc Db. '80-2	87xd	[illegible]	6.31	12.95
31M	30N	Do. 6¾pc Db. '81-84	82	[illegible]	7.85	12.70
11Ja	11J	Do. 10¾pc Uns. Ln. '86	91	[illegible]	11.75	13.40
11Ja	11J	Do. 11pc Uns. Ln. '88	91½	[illegible]	12.32	13.90
11Ja	11J	Do. 11¾pc Uns. Ln. '90	93	[illegible]	12.98	13.60
14Mr.	14S	Do. 12½pc Un. Ln. 1992	93½xd	[illegible]	13.36	13.60
30J	31D	Do. 7¾pc A Deb. '89-92	65½	[illegible]	11.51	13.50
31M	30S	Do. 7¾pc A Deb. '91-94	61½xd	[illegible]	11.78	13.40
31M	30S	Do. 9pc 'A' '91-94	71½xd	[illegible]	12.58	13.60
25F	31A	Do. 8¾pc Ln. '92-97	69½	[illegible]	12.95	13.60

FOREIGN BONDS & RAILS

[illegible]

AMERICANS

Dividends Paid	Stock	Price	Last xd	Div. Gross	C'vr	Y'ld Gr's
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Ma.Je.Se.Dec.	TRW Inc. $1¼	20¾	4.8	$2.20	—	4.7
Feb My Au Nov	Tenneco $5	18⅛	4.8	$2.40	—	6.0
June Dec.	Do. 10% Ln. Stk. 91-95	147	2.6	10%	—	F6.9
J. Ap. Jy. O.	Tesoro Pt. US$0.16⅔	981p	30.4	30c	—	1.3
Mr.Je.S.D.	Texaco $6.25	14½	31.7	$2.40	—	7.4
Mr.Ju.S.D.	Time Inc. $1	26xd	27.8	$1.66	—	2.9
Ja.Ap.Ju.O.	Transamerica $1	829p	27.6	$1.12	—	6.1
—	Union Carbide $1	20½	5.8	$3.20	—	7.0
Mar.Jn.Sp.Dc	Utd. Tech. $US5	21½	26.8	$2.20	—	4.6
Mr.Je.S.D.	U.S. Steel $1	965p	4.8	$1.60	—	7.4
Mr.Ja.S.D.	Woolworths $3½	12⅛	28.7	$1.80	—	7.3
Ap.Jy.O.J.	Xerox Corp. $1	26½	1.9	$2.80	—	4.7
O.Ja.Ap.Jy.	Zapata Corp. 25c.	25	15.7	48c	—	D.9

CANADIANS

Dividends Paid	Stock	Price	Last xd	Div. Gross	C'vr	Y'ld Gr's
Ma.S.J.D.	Bk. Montreal $2	11	30.1	$1.56	—	5.4
F.My.Au.N.	Bk. Nova Scot. $1	11¾	30.6	$1.60	—	5.2
A.Jy.O.Ja.	Bell Canada $8⅓	675pxd	12.9	$1.64	—	9.2
May Nov.	Bow Valley ‖	814p	24.5	10c	—	0.5
Oct.	Brascan ‖	13½	20.6	♦$1.20	—	3.4
F.MyAuN.	Can. Imp. Bk. $2	975p	30.6	$1.80	—	7.0
July Jan.	Can. Pacific $5	17¹³⁄₁₆	24.5	$1.80	—	3.8
July Jan.	Do. 4pc Deb. £100	31	19.11	4%	—	12.9
—	Can. P. Ent. ‖	11	3.7	$1.00	—	3.4
J.Ap.Jy.O.	Gulf Can. ‖	10¼	28.7	44c	—	1.6
Ap.Jy.O.Ja.	Hawker Sid. Can. ‖	720p	14.13	96c	—	5.0
F.MyAuN.	Hollinger $5	19	26.7	s$2.20	—	4.4
Apr. Oct.	Hudson's Bay ‖	930pxd	11.7	♦$1.20	—	4.9
Jan. July	Hud. B. Oil G. $2½	11½	24.5	h57½	—	1.9
Mr.Je.S.D.	Imperial Oil ‖	14⅝	28.2	$1.40	—	3.7
Jan.Ap.J.O.	Inco ‖	10⅝	31.7	72c	—	2.6
F.My.Au.N.	Int. Nat. Gas $1	530p	30.10	$1.00	—	7.1
Mr.Je.S.D.	Massey Ferg. ‖	270p	11.77	—	—	—
—	Place Gas $1	100p	—	—	—	—
June Dec.	Rio Algom	13⅜	26.10	$1.50	—	4.1
M.Je.S.D.	Royal Bk. Can. $2	19⅝	25.7	$2.56	—	5.1
SeDeMrJu	Seagram Co. C$1	25¾	21.5	$US1.10	—	1.9
F.MyAuN.	Tor. Dom. Bk. $1	10⅞	27.3	$1.44	—	5.0
J.Ap.Jy.O.	Trans Can. Pipe	815p	26.6	$1.16	—	5.4

BANKS AND HIRE PURCHASE

[illegible]

Hire Purchase, etc.

[illegible]

BEERS, WINES AND SPIRITS

[illegible]

BUILDING INDUSTRY, TIMBER AND ROADS

[illegible]

BUILDING INDUSTRY—Contd.

[illegible]

CHEMICALS, PLASTICS

[illegible]

DRAPERY AND STORES

[illegible]

ELECTRICALS

[illegible]

ELECTRICALS—Continued

[illegible]

ENGINEERING MACHINE TOOLS

[illegible]

FOOD, GROCERIES, ETC.

[illegible]

FOOD, GROCERIES—Cont.

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Eastern Rand

Far West Rand

O.F.S.

Finance

Diamond and Platinum

Central African

MINES—Continued

Australian

Tins

Copper

Miscellaneous

—	Barymin	60	—	—	—	—
May	Burma Mines 10p	13	14.4	0.62	1.1	6.9
—	Colby Res. Corp.	240	—	—	—	—
Aug. Feb.	Cons. Murch. 10c.	360	30.6	M0100c	1.8	26.4
—	††Hemerdon 10c.	90	—	—	—	—
—	Northgate C$1	540	977	—	—	—
Jan. July	R.T.Z.	475	12.5	t16.0	3.2	4.9
—	Robert Mines	41	—	—	—	—
—	††SPD Minerals 10p	95	—	—	—	—
—	Sabina Inds. C$1	45	—	—	—	—
—	††SWCM 10p	40	—	—	—	—
—	Tara Exptn. $1	575	—	—	—	—

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 30 per cent and allow for value of declared distribution and rights.

- "Tap Stock.
- Highs and Lows marked thus have been adjusted to allow for rights issues for cash.
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Tax-free to non-residents on application.
- Figures or report awaited.
- †† Unlisted security.
- # Price at time of suspension.
- ¶ Indicated dividend after pending scrip and/or rights issue: cover relates to previous dividends or forecasts.
- Merger bid or reorganisation in progress.
- Not comparable.
- Same interim: reduced final and/or reduced earnings indicated.
- Forecast dividend; cover on earnings updated by latest interim statement.
- Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- Excluding a final dividend declaration.
- Regional price.
- No par value.

§§ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Tax free. b Figures based on prospectus or other official estimate. c Cents. d Dividend rate paid or payable on part of capital; cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast dividend: cover based on previous year's earnings. v Tax free up to 30p in the £. w Yield allows for currency clause. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1979-80. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1980-81. K Figures based on prospectus or other official estimates for 1979-80. M Dividend and yield based on prospectus or other official estimates for 1980. N Dividend and yield based on prospectus or other official estimates for 1981. P Figures based on prospectus or other official estimates for 1980-81. Q Gross. T Figures assumed. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xR ex capital distribution.

REGIONAL MARKETS

The following is a selection of London quotations of shares previously listed only in regional markets. Prices of Irish issues, most of which are not officially listed in London, are as quoted on the Irish exchange.

IRISH

Albany Inv. 20p	35	-1	Conv. 9% '80/82	£93¾	......
Bertam	14	-1	Nat. 9¾% 84/89	£82½	......
Bdg'wtr. Est. 50p	459	......	Fin. 13% 97/02	£89¾	-⅞
Craig & Rose £1	£11	......	Alliance Gas	50	......
Fife Forge	35	......	Arnott	210	+10
Finlay Pkg. 5p	23	-1	Carroll (P.J.)	72	......
Graig Ship. £1	£13	......	Clondalkin	118	......

OPTIONS

3-month Call Rates

Distillers	17	P & O Dfd.	10		
Dunlop	7½	Plessey	14	Charterhall	10
Eagle Star	15	Racal Elect.	22	KCA	11
F.N.F.C.	2¼	R.H.M.	4½	Premier	13
Gen. Accident	21	Rank Org.	15	Shell	35
Gen. Electric	30	Reed Intnl.	16	Tricentrol	40
Glaxo	18	Sears	5	Ultramar	35
Grand Met	12	Tesco	6		
G.U.S. 'A'	34	Thorn	23	Mines	
Guardian	23	Trust Houses	12	Charter Cons.	14
G.K.N.	20	Tube Invest.	23	Cons. Gold	40
Hawker Sidd	25	Unilever	40	Lonrho	8
House of Fraser	15	U.D.T.	5½	Rio T. Zinc	35

"Recent Issues" and "Rights" Page 20

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FINANCIAL TIMES
Monday September 22 1980

BRC 4
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…sh limits concern Heseltine

…OBIN PAULEY

SOME LOCAL authorities penalised for alleged overspending by Mr. Michael Heseltine, the Environment Secretary, actually came closest to spending exactly what he thinks they should spend.

This is shown by confidential Environment Department documents which could prove a great embarrassment to the Government. The papers point up a whole range of inconsistencies in his decision to penalise 14 "profligate and wilful" overspenders.

The situation is even more ironical because the inconsistencies are a result of the Government's production of what it claims to be far more sophisticated and accurate statistical methods of assessing spending need by councils. These will be used to allocate grant when the new block grant system comes into force next year.

Using the analysis, Environment Department officials have run a check on this year's spending levels to see how the new grant system would work next year. There are wild variations, showing some authorities underspending by as much as 50 per cent and others overspending by as much as 90 per cent on the assessments. Multipliers will have to be used to alter the anomalies to what the Government thinks the correct figures should be.

The problems arose because Mr. Heseltine, against the advice of his officials, has used several sets of figures together in which the officials agree is unjustifiable.

She original idea was to base penalties only on apparent excess spending over and above the Government's assessment of authorities' need to spend. This produced the Environment Department list, published in the Financial Times in May, which contained all the penalised and reprieved authorities.

But since then, Mr. Heseltine has called for revised budgets for 1980-81 in a bid to bring council spending down by 2 per cent from actual spending in 1978-79. He was strongly advised by his officials not to do this.

But there was strong Treasury pressure for the exercise.

Mr. Heseltine then took his original list of 21 overspenders and penalised the 14 on it which failed to meet the 2 per cent reduction on 1978-79 spending.

The most glaring mistakes in the penalty list appears to have been made with Newcastle-upon-Tyne which will lose £1.31m of grant as a penalty for spending too much. But Mr. Heseltine's own department's new figures on assessed need to spend show that of the 456 authorities in England and Wales, Newcastle is one of only a handful which is spending exactly what it should.

In fact, Newcastle is likely to attract an extra £10m in Government grant next year because of the Government's assessment of its need to spend.

The Environment Department is accepting a tolerance of plus or minus 10 per cent in judging whether, for the new grant system, authorities were on target. On this basis, Sheffield comes nearly as close to being on target as Newcastle. But it will also be penalised and lose £1.02m. Doncaster, also on target but marginally less so with penalised and reprieved, has been reprieved.

Turning to the five outer London boroughs to be penalised, similar oddities occur. Haringey is assessed to be within a range of 5 to 15 per cent of achieving the right spending level this year and has been reprieved.

Brent's range is closer to target—2 to 15 per cent—but that council is to lose £710,000 as a penalty. Waltham Forest and Hounslow are spending within Haringey's range of 15 per cent, but both are to lose £500,000. Newham appears to have received the right treatment and it has been reprieved.

The whole purpose of the penalties now appears to be to bolster the impression that a tough line is being taken before the Tory Party conference next month.

But it is back-firing already. Apart from the embarrassment of the new spending assessments of Mr. Heseltine's action has infuriated some Tory peers because they have not even considered the legislation under which he proposes to take action.

Dockers call off national strike

BY PAULINE CLARK, LABOUR STAFF

REPRESENTATIVES OF Britain's 24,000 registered dockers yesterday called off the national dock strike threatened to start today over 180 Liverpool dockers facing redundancy.

The decision followed a week of intensive negotiations between port employers and the Transport and General Workers Union which ended with the union receiving the assurance it wanted — that the Liverpool dockers will be given new jobs at the end of this month and that there can be no forced redundancies in British ports.

The Government is believed to have exerted considerable pressure on port employers to find a solution to the dispute which could have presented it with its worst industrial crisis since coming into office.

Ministers have denied any direct intervention but are known to have been worried not only about the economic consequences of a national dock strike but also the effects on new employment legislation had the strike led to a dangerous confrontation over the new picketing laws.

The strike was called off unanimously by a recalled 90-strong delegate conference of dockers after union leaders recommended acceptance of a peace formula worked out by the National Association of Port Employers.

The formula was presented in the form of two letters to the union both dated September 18. One of these gave a written undertaking that the dock labour scheme's Temporary Unattached Register should be used only for disciplinary purposes.

It was the threat that the register might be used to place dockers made redundant by T. & J. Harrison, the Merseyside stevedoring company, and Bulk Cargo Handling Services, that led to last week's call for a strike.

The union had argued that the use of the register would represent a breach of the 1974 Aldington/Jones recommendations on dock labour organisation when employers had agreed it should only be used for dockers facing disciplinary charges.

In the second letter, the unions also secured a promise that the Liverpool employers would follow nationally-agreed practice in allocating redundant dockers to other employers immediately the redundancies come into effect on October 1.

THE LEX COLUMN

Dividends in a cold climate

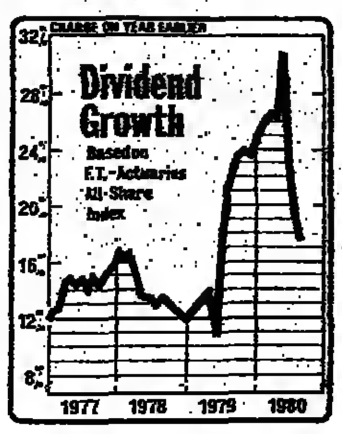
This time last year the managements of many British companies were agonising over dividend policy. The abolition of controls obliged them to decide the appropriate level of payout for the first time in seven years: the difficult question was just how far they could afford to raise their dividends. Now, for a number of manufacturing companies, the question has turned round—can they afford not to cut?

On the whole, they tend to hold on if they possibly can, and except when a company is experiencing difficulties on the scale of, say, Carrington Viyella, the stock market generally bets that the dividend will be one of the last things to go. Guest Keen and Nettlefold's interim dividend reduction last week was particularly worrying to the equity market. Partly this was because it had assumed that GKN, like Tube Investments a few weeks earlier, would soldier on paying an uncovered dividend. But there was also a fear that GKN's example may sway undecided boards in favour of a cut.

One comforting argument has been that the cost of the dividend is often very small compared with the company's cash flow, or with its outstanding debt. But the present cash squeeze is so severe that GKN clearly thinks it worthwhile to save £3m (and related tax) with its interim dividend cut. The loss of UK earnings suffered by GKN and many other manufacturers makes capital spending, stockbuilding and dividend payments more expensive, since there is no tax offset available. Borrowing money at 17 per cent to pay a dividend — because repatriating overseas profits might cause tax problems—is an unattractive option.

Companies are keen not to let their shareholders down, and some managers of income funds have been quick to remind them of their responsibilities. But shareholders who put their own income before the need of the business do not deserve to be bought off indefinitely, and a company which is making 10,000 people redundant — as GKN is this year—cannot be too squeamish about a cut.

Current cost earnings figures, which British companies will be required to produce in respect of the current year, will point up the problem even more sharply. Stockholders Phillips and Drew estimate that for the average of industrial and commercial companies, 1980's current cost earnings will barely cover dividends at the 1979 rate; the implication is that for roughly half the corporate sector, an unchanged dividend will not be covered in real terms.



In practice, most companies experiencing serious trading difficulties are postponing the decision. Those with December year-ends are now generally announcing unchanged interim dividends, and the overall level of payout for the year will not be fixed until March 1981 or thereabouts. They must hope that by then—either because interest rates will be lower, or final demand higher, or both—they will be justified in paying an uncovered dividend on the strength of improved earnings prospects for 1981.

As far as the equity market overall is concerned, the shrinking proportion of manufacturing industry in total stock market capitalisation will limit the damage. Phillips and Drew are still expecting dividends declared in respect of 1980 by the 491 companies in the FT Actuaries Industrial group to rise by 5 per cent—the principal threat to this forecast is probably that a number of major companies may do no more than maintain their dividends. But for the All-Share Index as a whole, thanks to the strength of oil, financials and mining finance houses, there should be an increase of 7 per cent, or perhaps slightly more, on top of the 25 per cent average rise for 1979 over 1978.

At 6 per cent, the dividend yield on the All-Share Index now stands more than 1.3 points above its level on the eve of the General Election in May last year, even though the index itself is 4½ per cent higher, and a 7 per cent rise in dividends would take the yield on an unchanged index up to 6.4 per cent. But if dividend cuts are perceived to be a widespread risk, investors are likely to demand a higher yield on equities generally relative to bonds. The highly polarised equity market is well aware of the specific risk: nine of the FT Actuaries sub-sections, grouping 95 companies, offer a historic yield of more than 9 per cent.

Accounting standards

Behind the scenes the Accounting Standards Committee is seeking to drum up support for its proposals on the process of setting and enforcing accounting standards. Thus it has circulated a confidential paper for discussion next month at the Council of the English Institute, so that it can get some feedback from the profession. Presumably the ASC wishes to gain some idea of how much opposition exists to its controversial proposals to bring outsiders on to the committee and to set up a joint enforcement panel with the Stock Exchange and the Council for the Securities Industry. There is also the question of the degree of control which would be retained by the professional bodies; and not least, the accountants will be concerned about the sheer cost of a more elaborate standard setting apparatus.

Lying behind the proposals is the problem that the programme of developing accounting standards is getting bogged down. After immense efforts the current cost standard has been approved, but the currency translation exposure draft has still not appeared and other difficult subjects like leasing and pensions remain buried in the pending tray. Accountants are worried that they simply do not have the authority to enforce controversial standards. They fear that a qualified audit report is becoming less and less of a deterrent.

Hence the proposal for a seven-member panel which would review cases of alleged breaches of accounting standards. Two members would be members of the Stock Exchange Council, and probably the chairman would be appointed to the CSI. The plan shows that the ASC is trying to find a solution within the City's self-regulatory framework rather than seeking legal muscle (which is how standards are enforced in Canada, for example). But it is questionable whether it will find the support it needs from the Stock Exchange, which will not even require an accountants' report for entry to its new unlisted market.

Reform of accounting standards proposed

By Michael Lafferty

A WIDE-RANGING reform of the methods whereby company accounting standards are set, financed and enforced has been proposed by an Accounting Standards Committee report.

Among the proposals, which are certain to prove controversial, are the establishment of a joint review panel with Stock Exchange and City backing to help enforce standards and the admission of outsiders to a new Accounting Standards Committee. The report also suggests that almost half the estimated £400,000 a year funding for the new rule-making machinery will have to come from outside the accountancy profession.

The draft report is the result of more than three years of consultation by a working party headed by Mr. Tom Watts, chairman of the Committee. It will shortly be considered by the councils of the UK accountancy bodies.

It warns that companies are likely to become more and more willing to break accounting standards unless something is done.

"The need for some supervisory body beyond the deterrent of a qualified audit report, is seen as an important and vital adjunct to setting accounting standards in the private sector. The touchstone of private sector regulation lies in the degree of compliance: if there is not a high degree of compliance, then the State must step in," Mr. Watts told a private meeting of senior accountants.

The standard setting and enforcement machinery proposed includes:

- The establishment of a board of trustees for accounting standards, to seek finance for and oversee the work of a new Accounting Standards Committee. A majority of the trustees would be appointed by the accountancy bodies;
- The creation of a new Accounting Standards Committee with 23 members nominated by the accounting bodies, and five nominated by agreement between the chairmen of the Consultative Committee for Accountancy Bodies, the Stock Exchange, and the Council for the Securities Industry, the overall self-regulatory body for the City.
- The creation of a review panel to enforce standards, composed of seven members appointed jointly by the accountancy bodies, the Stock Exchange and the CSI. The chairman would probably be a lawyer, and there would be two qualified accountants, two members of the Stock Exchange council, and one person each appointed after consultation with the Confederation of British Industry and the Institutional Shareholders' Committee.

The existing draft of the report stresses that some aspects of the proposals, particularly the creation of the board of trustees and the plan for some public funding, are "entirely speculative" since no discussions about their operation have yet been held with outsiders.

The proposed review panel would have authority only over accounting problems relating to quoted companies. Its procedures could be activated by reference from the Stock Exchange, the accountancy bodies, or the public. It could publish reports at its own discretion.

In a foreword to the report, Mr. Watts says: "To be effective, accounting standards set in the private sector need to be set in the open after the widest possible public consideration and debate... And they must be seen to be set in the public interest."

Property accounting changes, Page 4

Commission to appeal direct to steelmakers for cut in output

BY GILES MERRITT IN BRUSSELS

THE EUROPEAN Commission is to have confidential talks with each of the major steel companies of the EEC to try to salvage the Community's anti-crisis plans to cut output throughout the industry and avert a damaging price war among steelmakers.

The move bypasses the Brussels-based Eurofer organisation to which producers of 90 per cent of EEC steel belong. Traditionally, collective negotiations between the industry and the Commission take place via Eurofer. But it is believed that Viscount Etienne Davignon, the Industry Commissioner, now feels the Eurofer forum alone can no longer yield agreement on the production cut needed to prevent a prices free-for-all.

A fortnight ago, Eurofer rejected a Commission call for a further cut in output in the final three months of this year, following the dramatic fall in demand for steel since early summer.

The Commission argues that, instead of the already planned compared with the same period in 1979, a 13 per cent reduction is needed. And within the Commission there is some feeling that even this would not be enough and that the cut should be of the order of 20 per cent if prices are to be stabilised.

In the first eight months of 1980, EEC steel output was only 3.5 per cent down on 1979 levels.

Several member states, notably Belgium, the UK and France, are understood to favour such stringent measures. But they face West German and Italian opposition. Making any agreement still more difficult are inter-industry accusations over which steelmakers have this year been cheating on the price and delivery disciplines of the Davignon plan. Viscount Davignon hopes that his round of bilateral talks will enable him to impress on steelmakers the seriousness of the situation and piece together a deal.

If he fails, the Commission may be forced to propose to member governments that compulsory production limits—which may be imposed in terms of Article 58 of the European Coal and Steel Community Treaty of Paris—be set. Such a major and controversial step would be taken only with reluctance, and the Commission is uncomfortably aware of the problems of enforcement.

The EEC steel market is in a grave position. Prices remained buoyant until April this year but have since tumbled. Some producers say they are at 1973-74 levels.

Belgium's export-reliant steel industry has calculated that it is losing BFr 1,500 to BFr 2,000 (£26-£34) a tonne, and Peine-Salzgitter of West Germany says it is selling steel at DM 40 a tonne below realistic levels. The Commission itself puts the overall drop in steel prices since May at 10 to 15 per cent, and for some products the fall may be greater.

Thus, in early April the Antwerp price for reinforcing bars was BFr 9,900 a tonne. Last week it was BFr 8,100. Merchant bars have gone from BFr 10,800 a tonne to BFr 9,200, and cold rolled coil from BFr 12,300 to BFr 10,200.

Financial losses in the EEC steel industry this year may be heading for record levels. The Brussels Commission usually prepares it own calculations on the industry's deficit. But this year, officials say that to do so could be "political dynamite."

Consett group wants more time

BY MARTIN DICKSON, ENERGY CORRESPONDENT

HOPES OF keeping alive the Consett steelworks in County Durham were last night focussed on a letter being sent to the British Steel Corporation by an unnamed group of businessmen who claim to want to buy the plant.

The letter was being despatched in response to a BSC ultimatum that the businessmen identify themselves by midnight last night, prove their credit-worthiness and agree to take on immediately the plant's maintenance costs.

Mr. Keith Bill, a spokesman for the businessmen, said the letter asked BSC to defer any decision until after a meeting of the industrialists on Wednesday.

The BSC Board is expected to meet today to consider the letter.

The businessmen, who call themselves the Northern Industrial Group, have refused to reveal their identities in the three weeks since they first showed interest in buying Consett, which ceased production on September 13.

BSC has said that, if the group meets the midnight deadline, it will be prepared to keep Consett's blast furnaces in working order until September 30, by which time it must have received detailed proposals for the future of the works.

But if the group does not comply, the Corporation is expected to cool Consett's furnaces before the end of the month—a move which would damage the refractory brick linings and effectively end all hope of continued production. BSC says it is costing about £226,000 a week to keep the works in good order.

The Corporation clearly suspects that the group may not be prepared to negotiate seriously. These suspicions are likely to have been reinforced last week at a meeting where the two sides were meant to open discussions. BSC fielded a strong team, including Mr. Ian MacGregor, its chairman, but representatives of the Northern Industrial Group were not prepared to reveal the names of their backers.

However, Mr. Bill said yesterday that two more unnamed companies wanted to join the 11 which are said to form the group.

Continued from Page 1

Iran-Iraq conflict

joint consultations with the Soviet Union on bilateral relations and current developments in the region."

Arab diplomats in Beirut speculated that Mr. Tariq Aziz may also be seeking increased supplies of weapons and ammunitions from the Soviet Union.

Iraq said that yesterday's naval battle broke out after Iranian forces had fired on a British cargo boat, the Orient Star, while it was sailing up the Shatt-al-Arab towards the port of Basrah. Following the attack, during which the British ship was said to have been slightly damaged; the Iraqi navy took the offensive "and sunk five Iranian warships."

Later the Iraqis reported that they had driven off another Iranian attack on a Kuwaiti ship sailing downstream from Basrah.

There is no confirmation so far that either side has attacked the oil installations that line the Shatt-al-Arab estuary. A senior official of the National Iranian Oil Company (NIOC) said yesterday that Iranian forces had not consciously fired at Iraqi oil installations on the other side of the Shatt "because they can do the same to us."

He added that Iraqui shelling had started several fires close to the Abadan oil refinery complex. But the refinery itself had not been hit and the nearby fires were quickly extinguished.

The Iranian national radio claimed however that the port installations at Khorramshahr had been hit by Iraqi shells and that Abadan airport had been closed because of the fighting.

Iraq had earlier warned that it would attack Iranian oil installations if any of its own facilities were damaged in the fighting. This warning came after Iranian reports that an Iraqi oil well had been destroyed.

The struggle for supremacy in the Gulf between the two countries goes back more than 70 years but has intensified during the past 18 months.

The intermittent border skirmishes of the past year intensified during the last seven days with Iraqi claims that it had "liberated" some 80 square miles of Iranian territory.

Iraq has promised to "liberate" more than 200 miles of the oil-rich Khuzestan province which has a significant Arab population. It has also demanded the return to Arab control of the three islands administered by Iran at the mouth of the Gulf.

Continued from Page 1

CBI

rapidly to 62 per cent by May and then within a couple of months reached the present record 75 per cent figure.

Similarly, the percentage of companies expecting output to drop in the next four months has increased from about 30 per cent in March to 48 per cent in July and 55 per cent in this survey, which was conducted in the first fortnight of this month.

Normally CBI survey results are studied on the basis of the balance between "ups and downs" or "above normal or below normal." The number of companies in the surveys moving against the general trend of the recession is however now so small that the simple percentages in the companies' answers make a representative picture.

For example, only 3 per cent of the 2,000 companies have order books above normal, and only 7 per cent expect output to increase in the next four months.

Weak demand, says the CBI, is particularly pronounced for the metal manufacturing sector and for producers of intermediate goods. Export order books are said to have improved marginally, but this is not regarded as significant.

Weather

UK TODAY

UNSETTLED, rain with sunny intervals. The North will also be cloudy with hill and coastal fog patches. Temperatures near normal.

London, E. and S.E. England

Outbreaks of rain, sunny periods developing, scattered showers. Max. 18C (64F).

Most of England, Channel, Wales

Sunny intervals, showers, heavy at times. Max. 17C (63F).

Most of Scotland, Orkney, Shetland, N. Ireland, Lakes, N.E. England

Hill and coastal fog, rain or drizzle at times. Temperatures a little below normal. Max. 14C (57F).

Outlook: Unsettled with temperatures near normal.

WORLDWIDE

		Y'day midday °C	°F			Y'day midday °C	°F
Ajaccio	S	28	82	London	F	18	64
Algiers	S	28	82	Ls. Ang.	C	27	81
Amsdm.	F	21	70	Luxmbg.	C	18	66
Athens	S	34	93	Luxor	S	38	100
Bahrain	S	34	93	Madrid	F	20	68
Barclna.	F	27	81	Majorca	F	27	81
Beirut	S	28	82	Malaga	F	23	73
Belfast	R	15	59	Malta	F	27	81
Belgrd.	C	18	64	M'chstr	S	19	66
Berlin	S	21	70	Melbne.	C	17	63
Biarritz	F	24	75	Mntreal.	F	9	48
Bmghm.	C	17	63	Milan	F	22	72
Blackpl.	C	19	66	Moscow	C	10	50
Bordx.	F	23	73	Munich	S	22	72
Boulgn.	F	19	66	Nairobi	F	26	79
Bristol	C	17	63	Naples	S	28	82
Brussels	F	21	70	Nwcstl.	R	13	55
Budpst.	F	22	72	N. York	F	21	70
Cairo	S	30	86	Nice	F	24	75
Cardiff	F	17	63	Nicosia	S	28	82
Cas'b'ca	F	23	73	Oporto	C	16	64
Cape T.	R	14	57	Oslo	C	14	57
Cologne	S	23	73	Paris	S	22	72
Cpnhgn.	S	18	64	Perth	R	13	55
Corfu	S	27	81	Prague	C	15	59
Dublin	C	15	59	Reykjvk.	C	11	52
Dbrvnk.	S	25	77	Rhodes	S	29	84
Ednbgh.	F	13	55	Rio Jo	S	34	93
Faro	F	23	73	Rome	S	25	77
Florence	S	28	82	Salzbg.	S	24	75
Frankft.	S	21	70	S'tisco	F	17	63
Funchal	C	22	72	Singapr.	F	31	88
Geneva	R	18	64	Stckhm.	C	15	59
Gibrltr	S	25	77	Strasbg.	F	23	73
Glasgow	R	15	59	Sydney	S	23	73
G'nsey	S	16	50	Tangier	S	24	75
Helsinki	R	11	52	Tehran	S	27	81
H. Kong	C	30	86	Tel Aviv	S	23	73
Innsbrk.	S	26	79	Tenerife	F	21	70
Invrnss.	R	15	59	Tokyo	C	25	77
I.o.Man	F	17	63	Toronto	C	26	79
Istanbul	S	23	73	Tunis	S	31	88
Jersey	S	18	64	Valencia	S	27	81
Jo'burg	S	24	75	Venice	S	22	72
L. Plms.	S	23	73	Vienna	C	18	64
Lisbon	F	20	68	Warsaw	S	22	72
Locarno	C	20	68	Zurich	S	22	72

C—Cloudy, F—Fair, R—Rain, S—Sunny.

It's a fact
Most Industrialists came to Skelmersdale through recommendation by fellow Industrialists
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